



DAIBOCHI BERHAD

(Company No: 197201001354 [12994-W])

(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 30 April 2021

The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 April 2021

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	30.4.2021 RM'000	30.4.2020 RM'000	30.4.2021 RM'000	30.4.2020 RM'000
Revenue	150,123	151,976	468,143	463,503
Operating profit	13,107	16,091	47,236	53,784
Interest expense	(356)	(892)	(1,181)	(3,605)
Profit before tax	12,751	15,199	46,055	50,179
Taxation	(2,674)	(3,851)	(7,988)	(12,164)
Profit for the quarter / period	10,077	11,348	38,067	38,015
Profit attributable to:				
Owners of the Company	10,257	10,837	38,142	36,445
Non-controlling interests	(180)	511	(75)	1,570
Profit for the quarter / period	10,077	11,348	38,067	38,015
Earnings per share attributable to owners of the Company (sen per share)				
- Basic	3.13	3.31	11.65	11.13
- Diluted	N/A	N/A	11.61	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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The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 April 2021

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	Current year to date	Preceding year corresponding period
	30.4.2021 RM'000	30.4.2020 RM'000	30.4.2021 RM'000	30.4.2020 RM'000
Profit for the quarter / period	10,077	11,348	38,067	38,015
Other comprehensive (loss)/income, net of income tax: Items that may be reclassified subsequently to profit or loss:				
- Foreign currency translation of foreign operations	(7,825)	6,179	(9,008)	6,980
Other comprehensive (loss)/income for the quarter / period, net of income tax	(7,825)	6,179	(9,008)	6,980
Total comprehensive income for the quarter / period, net of income tax	2,252	17,527	29,059	44,995
Total comprehensive income for the quarter / period attributable to:				
Owners of the Company	5,711	14,695	33,014	40,571
Non-controlling interests	(3,459)	2,832	(3,955)	4,424
	2,252	17,527	29,059	44,995

(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])
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 April 2021

	AS AT CURRENT FINANCIAL QUARTER ENDED 30.4.2021 RM'000 (Unaudited)	AS AT PRECEDING FINANCIAL YEAR ENDED 31.7.2020 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	234,059	199,849
Right-of-use assets	2,987	3,797
Deferred tax assets	172	164
Goodwill	70,700	75,842
	307,918	279,652
Current assets		
Inventories	63,817	72,325
Trade and other receivables	103,230	102,623
Tax recoverable	209	5
Cash and bank balances	19,834	28,484
	187,090	203,437
TOTAL ASSETS	495,008	483,089
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	164,235	164,176
Treasury shares	(1,145)	(1,145)
Reserves	112,954	89,761
Equity attributable to owners of the Company	276,044	252,792
Non-controlling interests	20,953	24,908
Total equity	296,997	277,700
Non-current liabilities		
Borrowings	1,303	2,349
Lease liabilities	2,296	3,365
Deferred tax liabilities	24,439	24,119
	28,038	29,833
Current liabilities		
Borrowings	61,051	75,890
Lease liabilities	2,552	2,258
Trade and other payables	100,911	96,005
Tax liabilities	5,459	1,403
	169,973	175,556
Total liabilities	198,011	205,389
TOTAL EQUITY AND LIABILITIES	495,008	483,089
Net assets per share attributable to owners of the Company (RM)	0.84	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 nine months ended 30 April 2021

	Share capital RM'000	Treasury shares RM'000	Reserves		Distributable Retained earnings RM'000	Attributable to the equity holders of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
			Non-distributable 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	-	-	-	-	38,142	38,142	(75)	38,067
Other comprehensive loss for the financial period, net of income tax	-	-	-	(5,128)	-	(5,128)	(3,880)	(9,008)
Total comprehensive income for the financial period	-	-	-	(5,128)	38,142	33,014	(3,955)	29,059
Dividends paid	-	-	-	-	(9,821)	(9,821)	-	(9,821)
Exercise of warrants	59	-	-	-	-	59	-	59
Balance as at 30 April 2021	164,235	(1,145)	7,468	(4,434)	109,920	276,044	20,953	296,997
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	-	-	-	-	36,445	36,445	1,570	38,015
Other comprehensive income for the financial period, net of income tax	-	-	-	4,126	-	4,126	2,854	6,980
Total comprehensive income for the financial period	-	-	-	4,126	36,445	40,571	4,424	44,995
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,454)	(2,454)
Balance as at 30 April 2020	164,176	(1,145)	7,468	(929)	76,921	246,491	26,015	272,506

(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)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
For the nine months ended 30 April 2021

	9 MONTHS ENDED 30.4.2021 RM'000	9 MONTHS ENDED 30.4.2020 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	46,055	50,179
Adjustments	20,776	22,695
Operating profit before working capital changes	<u>66,831</u>	<u>72,874</u>
Movement in working capital:		
Decrease in inventories	8,342	1,637
Increase in receivables	(5,536)	(8,143)
Increase in payables	1,460	35,236
Cash generated from operations	<u>71,097</u>	<u>101,604</u>
Interest received	10	120
Taxation paid	(3,869)	(3,888)
Net cash from operating activities	<u>67,238</u>	<u>97,836</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Dividend income from an associate	-	8,025
Proceeds from disposal of investment in an associate	-	10,000
Proceeds from disposal of property, plant and equipment	60	350
Interest received	8	165
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	(89,931)
Purchase of property, plant and equipment	(38,095)	(20,236)
Deposit paid for purchase of property, plant and equipment	(8,339)	(8,558)
Net cash used in investing activities	<u>(46,366)</u>	<u>(100,185)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Net (repayment)/drawdown of short-term borrowings	(13,891)	33,731
Repayment of term loans	(1,923)	(9,303)
Proceeds from exercise of warrants	59	-
Dividends paid to:		
Owners of the Company	(9,821)	-
Non-controlling interests	-	(2,454)
Interest paid	(915)	(3,344)
Interest paid on lease liabilities	(266)	(261)
Repayment of lease liabilities	(350)	(1,261)
Net cash (used in)/generated from financing activities	<u>(27,107)</u>	<u>17,108</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,235)	14,759
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	28,484	18,562
Effect of exchange differences	(2,415)	497
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>19,834</u>	<u>33,818</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 30 APRIL 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 23,796 new ordinary shares pursuant to the exercise of 23,796 warrants at an exercise price of RM2.50 per warrant.

As at 30 April 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. The total number of unexercised warrants 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		9 months ended	
	30.4.2021	30.4.2020	30.4.2021	30.4.2020
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	(6)	(38)	(18)	(285)
(b) Other income	(921)	(819)	(2,913)	(2,953)
(c) Interest expense	275	805	915	3,344
(d) Interest on lease liabilities	81	87	266	261
(e) Depreciation of property, plant and equipment	5,963	5,403	17,482	15,729
(f) Depreciation of right-of-use assets	266	232	841	682
(g) Net (write back)/provision of receivables	(85)	21	(78)	(70)
(h) Net (write back)/provision of inventories	(13)	(6)	(33)	661
(i) Write-off of inventories	-	9	-	89
(j) Gain on disposal of plant and equipment	-	(66)	(60)	(143)
(k) Property, plant and equipment written off	14	-	183	523
(l) Loss on disposal of investment in an associate	-	1,111	-	1,111
(m) Net foreign exchange loss/(gain)	727	1,914	(747)	1,813
(n) 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 30 April 2021, there were no:

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

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.

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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.

A12 Changes in the composition of the Group

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

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 30.4.2021 RM'000	As at 30.4.2020 RM'000
Approved and contracted for:		
Purchase of plant and machinery	64,170	37,722

A15 Related party transactions

The Group’s related party transactions in the current financial quarter and current financial year-to-date ended 30 April 2021 were as follows:

	3 months ended		9 months ended	
	30.4.2021 RM'000	30.4.2020 RM'000	30.4.2021 RM'000	30.4.2020 RM'000
An associate				
Dividend income	-	-	-	8,025
Other related companies *				
Sale of goods	-	2	-	2,690
Facilities usage income	819	819	2,457	2,457
Purchase of goods	43,557	41,360	131,581	121,433
Services received	40	-	40	-

* 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 30 APRIL 2021**

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

B1 Review of performance

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current year quarter	Preceding year corresponding quarter	Changes %	Current year-to-date	Preceding year corresponding period	Changes %
	30.4.2021 RM'000	30.4.2020 RM'000		30.4.2021 RM'000	30.4.2020 RM'000	
Revenue	150,123	151,976	-1.2%	468,143	463,503	1.0%
Operating profit	13,107	16,091	-18.5%	47,236	53,784	-12.2%
Profit attributable to owners of the Company	10,257	10,837	-5.4%	38,142	36,445	4.7%

Current quarter review

For the current financial quarter ended 30 April 2021, the Group achieved revenue of RM150.12 million, a marginal decrease compared to RM151.98 million recorded in the preceding year corresponding quarter. Sales remain stable with the domestic market contributing RM85.98 million or 57.3% of group revenue and exports contributing RM64.14 million or 42.7% of group revenue.

Meanwhile, Group operating profit declined 18.5% to RM13.11 million from RM16.09 million in the preceding year corresponding quarter. The reduction in operating profit was mainly due to higher raw material prices in current financial quarter compared to the preceding year corresponding quarter.

9-month review

For the 9-month financial period ended 30 April 2021, the Group recorded revenue of RM468.14 million, a marginal increase compared to RM463.50 million recorded in the preceding year corresponding period. Sales remain stable with the domestic market contributing RM264.43 million or 56.5% of group revenue and exports contributing the balance RM203.71 million or 43.5% of group revenue.

Operating profit decreased 12.2% to RM47.24 million from RM53.78 million in the preceding year corresponding period. The reduction in operating profit was mainly attributable to higher raw material prices which impacted margins. However, profit attributable to owners of the Company increased 4.7% to RM38.14 million for the current financial period compared to RM36.45 million recorded in the preceding year corresponding period, mainly due to the applicable tax incentives derived from ongoing machinery capacity and capability expansion.

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

	Current quarter	Preceding quarter	Changes %
	30.4.2021 RM'000	31.1.2021 RM'000	
Revenue	150,123	161,342	-7.0%
Profit before tax ("PBT")	12,751	16,121	-20.9%
Profit attributable to owners of the Company	10,257	15,097	-32.1%

For the three months ended 30 April 2021, the Group's revenue decreased to RM150.12 million from RM161.34 million in the preceding financial quarter. The lower revenue was partly due to the decline in sales from Myanmar operation, following the country's political crisis which occurred since early February 2021.

Group PBT stood at RM12.75 million compared to RM16.12 million in the preceding financial quarter. The reduction in PBT was mainly due to the decline in revenue and higher raw material prices in current financial quarter compared to the preceding quarter.

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B3 Current financial year prospects

Demand for flexible plastic packaging (FPP) in the food and beverage (F&B) and fast-moving consumer goods (FMCG) sectors remains resilient alongside the region's population growth and urbanisation, as well as consumers' preference for convenience and environmentally friendly packaging.

As part of delivering high quality products to clients, the Group commissioned its second flexographic printer which will drive lower wastage, less ink usage, and improved efficiency. This is part of the Group's ongoing capital expenditure to enhance production capabilities and capacities.

Daibochi continuously made headway in becoming a leading provider of sustainable FPP solutions to meet brand owners requirements to achieve their sustainability goals. Jointly developed with Scientex, Daibochi's sustainable FPP solutions are increasingly adopted by the Group's multinational customers (MNCs) and prominent domestic brands since FY2020.

In 3Q21, the Group commercialised new sustainable, fully-recyclable solutions, particularly mono material polypropylene and polyolefin-based laminates, with MNC customers in the F&B segment, namely for frozen foods, powdered beverage, and food seasoning for the Malaysia and Thailand markets.

In its Myanmar operations, the Group continues to monitor the unstable situation in the country. The Group's manufacturing operations in Yangon reported lower sales in 3Q21 and were affected by the uncertainties created by Myanmar's socioeconomic and political climate. The Group maintained its customer base during this period, and had seen improvement in market conditions since April 2021 with the gradual resumption of financial markets and port services.

Meanwhile, higher freight costs and rising raw material prices in the global markets may continue to weigh on prospects. Notably, the Group has a stable and reliable supply of raw materials from Scientex, a major purchaser of plastic resins, which would help manage supply chain issues.

The overall market environment remains challenging as Malaysia entered the Full Movement Control Order (FMCO) phase of Covid-19 lockdown in June 2021. Daibochi's FPP solutions are crucial inputs to support the essential F&B and FMCG segments and the Group will continue to adhere to Standard Operating Procedures put in place as we continue to serve the domestic and export markets.

Overall, the Group remains cautiously optimistic of registering growth for the rest of FY2021, supported by largely resilient demand for its FPP solutions across the Southeast Asia and Oceania region, as well as increasing role in supporting the sustainability drive of brand owners.

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		9 months ended	
	30.4.2021	30.4.2020	30.4.2021	30.4.2020
	RM'000	RM'000	RM'000	RM'000
In respect of current quarter/period:				
- Income tax	2,011	3,491	7,667	11,870
- Deferred tax	663	363	321	371
In respect of prior year:				
- Income tax	-	(3)	-	(77)
	2,674	3,851	7,988	12,164

The Group's effective tax rate for the current financial quarter and current financial year-to-date are 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

As at 30 April 2021	Long term RM'000	Short term RM'000	Total borrowings RM'000
<u>Unsecured:</u>			
Denominated in USD			
- Trade financing	-	38,540	38,540
Denominated in AUD			
- Trade financing	-	18,921	18,921
Denominated in RM			
- Term loan	1,303	1,590	2,893
- Trade financing	-	2,000	2,000
Total	1,303	61,051	62,354
As at 30 April 2020			
<u>Secured:</u>			
Denominated in RM			
- Finance lease	263	104	367
<u>Unsecured:</u>			
Denominated in USD			
- Term loan	-	2,003	2,003
- Trade financing	-	49,856	49,856
Denominated in AUD			
- Trade financing	-	10,640	10,640
Denominated in RM			
- Term loan	2,905	2,541	5,446
- Trade financing	-	22,500	22,500
Total	3,168	87,644	90,812

B8 Material litigation

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

B9 Dividend

In respect of the financial year ending 31 July 2021, the Board of Directors declared a single tier interim dividend of 2 sen per ordinary share (single tier interim dividend for financial year 2020 of 2 sen per ordinary share), payable on 19 July 2021.

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B10 Earnings per share

		3 months ended		9 months ended	
		30.4.2021	30.4.2020	30.4.2021	30.4.2020
(i) Basic earnings per share					
Profit attributable to owners of the Company	RM'000	10,257	10,837	38,142	36,445
Weighted average number of ordinary shares	'000	327,372	327,348	327,360	327,348
Basic earnings per ordinary share	(sen)	3.13	3.31	11.65	11.13
(ii) Diluted earnings per share					
Profit attributable to owners of the Company	RM'000	N/A	N/A	38,142	N/A
Weighted average number of ordinary shares	'000	N/A	N/A	327,360	N/A
Effect of dilution - warrants	'000	N/A	N/A	1,052	N/A
Adjusted weighted average number of ordinary shares	'000	N/A	N/A	328,412	N/A
Diluted earnings per share	(sen)	N/A	N/A	11.61	N/A

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

By Order of the Board

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

22 June 2021