

DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD (12994-W)
UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 31 DECEMBER 2010

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 financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009. 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 year ended 31 December 2009.

The significant accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those of the Group's consolidated audited financial statements for the year ended 31 December 2009 except for the adoption of the following:

| FRSs, Revised FRSs, Amendments to FRSs | | Effective date |
|---|--|-----------------------|
| FRS 7 | Financial Instruments: Disclosures | 1 January 2010 |
| FRS 8 | Operating Segments | 1 July 2009 |
| FRS 101 | Presentation of Financial Statements (Revised) | 1 January 2010 |
| FRS 123 | Borrowing Costs (Revised) | 1 January 2010 |
| FRS 139 | Financial Instruments: Recognition and Measurement | 1 January 2010 |
| Amendments to FRS 7 | Financial Instruments: Disclosures :Amendment to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives Reclassification of financial assets | 1 January 2010 |
| Amendment to FRS 8 | Operating Segments : Disclosure of information about segment assets | 1 January 2010 |
| Amendment to FRS 110 | Events After the Balance Sheet Date : Dividends declared after the end of the reporting period * | 1 January 2010 |
| Amendment to FRS 117 | Leases | 1 January 2010 |
| Amendment to FRS 123 | Borrowing Costs : Components of Borrowing costs | 1 January 2010 |

The adoption of the above FRSs, Revised FRSs, Amendments to FRSs does not have significant financial impact on the Group and the Company, other than as explained below:

(a) Amendment to FRS 117: Leases (FRS117)

Amendment to FRS 117 sets out the new requirement where leasehold land which is in substance a finance lease will be reclassified to property, plant and equipment. The Group has reassessed and determined that leasehold land of the Group which is in substance a finance lease and has reclassified the leasehold land to property, plant and equipment.

The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

The following comparative amounts have been restated as a result of the amendment to FRS 117:

As at 31 December 2009

| | As previously stated RM'000 | Effects of changes in accounting policy RM'000 | As stated RM'000 |
|-------------------------------|--|---|---------------------------------|
| Property, plant and equipment | 54,289 | 6,106 | 60,395 |
| Prepaid lease payments | 6,106 | (6,106) | - |

Financial Reporting Standards (“FRSs”) and IC Interpretations (“IC Int.”) Issued but Not Effective

At the date of issuance of this quarterly report, the revised FRSs, new IC Int. and Amendments to FRSs and IC Int. which were in issue but not yet effective are as listed below:

| Revised FRSs, Amendments to FRSs, IC Int. and Amendments to IC Int. | Effective date |
|--|-----------------------|
| FRS 1 First-time Adoption of Financial Reporting Standards (Revised) | 1 July 2010 |
| FRS 3 Business Combinations (Revised) | 1 July 2010 |
| FRS 124 Related Party Disclosures (Revised) | 1 January 2012 |
| FRS 127 Consolidated and Separate Financial Statements (Revised) | 1 July 2010 |
| Amendment to FRS 1 First-time Adoption of Financial Reporting Standards (Amendment relating to limited exemption from Comparative FRS 7 Disclosures for First-Time Adopters) | 1 January 2011 |
| Amendment to FRS 1 Additional Exemptions for First-time Adopters | 1 January 2011 |
| Amendments to FRS 2 Share-based Payment (Amendment relating to scope of FRS 2 and FRS 3) | 1 July 2010 |
| Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions | 1 January 2011 |
| Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| Amendments to FRS 7 Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments) | 1 January 2011 |
| Amendments to FRS 132 Financial Instruments: Presentation (Amendments relating to classification of rights issue) | 1 March 2010 |
| Amendments to FRS 138 Intangible Assets | 1 July 2010 |
| IC Int. 4 Determining whether an Arrangement contains a Lease | 1 January 2011 |
| Amendments to IC Int. 9 Reassessment of Embedded Derivatives (Amendments relating to scope of IC Int.9 and revised FRS 3) | 1 July 2010 |
| IC Int. 12 Service Concession Agreements | 1 July 2010 |
| IC Int. 15 Agreements for the Construction of Real Estate | 1 January 2012 |

| Revised FRSs, Amendments to FRSs, IC Int. and Amendments to IC Int. | | Effective date |
|--|---|-----------------------|
| Amendment to IC Int. 15 | Agreements for the Construction of Real Estate | 1 January 2012 |
| Amendments to IC Int. 13 | Customer Loyalty Programmes | 1 January 2011 |
| Amendment to IC Int. 14 | Prepayments of a Minimum Funding Requirement | 1 July 2011 |
| IC Int. 16 | Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Int. 17 | Distributions of Non-cash Assets to Owners | 1 July 2010 |
| IC Int. 18 | Transfers of Assets from Customers | 1 January 2011 |
| IC Int. 19 | Extinguishing Financial Liabilities with Equity instruments | 1 July 2011 |

The above revised FRSs, new IC Int. and Amendments to FRSs and IC Int. will be adopted in the financial statements of the Group and the Company when they become effective and that the adoption of these FRSs and Interpretations will have no significant impact on the financial statements of the Group and the Company in the period of initial application.

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 current quarter.

There were no other changes in estimates of amounts reported in previous year, which have a material effect in the current quarter.

A6 Debt and Equity Securities

During the current quarter, the Company purchased 555,600 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM1,469,972 including transaction costs and has been deducted from equity. The repurchase transactions were financed by internally generated funds and the average price paid for the shares was RM2.65. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

A7 Dividend Paid

| | Year To Date Ended | |
|---|----------------------|----------------------|
| | 31.12.2010 RM'000 | 31.12.2009 RM'000 |
| First and Final dividend paid for the year 2008 : 6.00 sen tax exempt per ordinary share paid on 23 June 2009 | - | 4,554 |
| Third Interim dividend paid for the year 2009 : 6.50 sen tax exempt per ordinary share paid on 16 March 2010 (2009 : Nil) | 4,882 | - |
| First Interim dividend paid for the year 2010 : 3.50 sen tax exempt per ordinary share paid on 4 June 2010 (2009 : 4.00 sen tax exempt per ordinary share paid on 27 August 2009) | 2,621 | 3,036 |
| Second Interim dividend paid for the year 2010 : 2.50 sen tax exempt per ordinary share paid on 3 September 2010 (2009 : 5.00 sen tax exempt per ordinary share paid on 17 December 2009) | 1,870 | 3,756 |
| Third Interim dividend paid for the year 2010 : 3.00 sen tax exempt per ordinary share paid on 16 December 2010 (2009 : Nil) | 2,266 | - |
| | ===== | ===== |

A8 Segmental analysis

The Group is organised into two main business segments:

- (i) Packaging – manufacture and marketing of flexible packaging materials.
- (ii) Property development – development of land into residential and commercial buildings.

Business segment

Segment information for the year ended 31 December 2010 was as follows:

| | <u>Packaging</u> RM'000 | <u>Property</u> <u>development</u> RM'000 | <u>Eliminations</u> RM'000 | <u>Group</u> RM'000 |
|--|----------------------------|---|-------------------------------|------------------------|
| 2010 | | | | |
| Revenue | | | | |
| External revenue | 244,944 | 22,805 | - | 267,749 |
| Inter-segment revenue | 29,565 | - | (29,565) | - |
| | ----- | ----- | ----- | ----- |
| Total revenue | ===== | ===== | ===== | ===== |
| Results | | | | |
| Segment results | 21,180 | 3,753 | - | 24,933 |
| Unallocated costs | | | | (370) |
| | | | | ----- |
| Profit from operations | | | | 24,563 |
| Finance costs | | | | (909) |
| Share of results of associated company | - | 172 | - | 172 |
| | | | | ----- |
| Profit before tax | | | | ===== |
| | | | | ===== |

Segment information for the year ended 31 December 2009 was as follows:

| | <u>Packaging</u> RM'000 | <u>Property development</u> RM'000 | <u>Eliminations</u> RM'000 | <u>Group</u> RM'000 |
|-----------------------|----------------------------|---|-------------------------------|------------------------|
| 2009 | | | | |
| Revenue | | | | |
| External revenue | 217,445 | 4,343 | - | 221,788 |
| Inter-segment revenue | 20,902 | - | (20,902) | - |
| | ----- | ----- | ----- | ----- |
| Total revenue | <u>238,347</u> | <u>4,343</u> | <u>(20,902)</u> | <u>221,788</u> |

Results

| | | | | |
|--|--------|-------|---|---------------|
| Segment results | 27,297 | 1,010 | - | 28,307 |
| Unallocated costs | | | | (228) |
| | | | | ----- |
| Profit from operations | | | | 28,079 |
| Finance costs | | | | (837) |
| Share of results of associated company | - | (101) | - | (101) |
| | | | | ----- |
| Profit before tax | | | | <u>27,141</u> |
| | | | | ===== |

Unallocated costs represent common costs and expenses incurred in dormant subsidiary companies.

A9 Valuations of property, plant and equipment

No valuation on property, plant and equipment was carried out by the Group.

A10 Subsequent events

There were no material events subsequent to 31 December and up to the date of the issuance of this quarterly report that have not been reflected in this quarterly report.

A11 Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial quarter ended 31 December 2010 including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring and discontinuing operations.

A12 Contingent liabilities

As at 31 December 2010, the Company has issued corporate guarantees totalling RM8,500,000 and a Standby Letter of Credit for Australian Dollar 500,000 (equivalent to RM1,576,500) in respect of credit facilities granted by licensed banks to its subsidiary companies. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by the subsidiary companies.

A13 Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2010 were as follows: -

| | RM'000 |
|-------------------------------------|---------------|
| Property, plant and equipment | |
| - Authorised and contracted for | 9,840 |
| - Authorised but not contracted for | 5,982 |
| | <u>15,822</u> |

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

B1 Review of Performance

For the three months ended 31 December 2010, the Group recorded revenue of RM75.462 million as compared to RM54.580 million for the corresponding period in the previous year, representing an increase of 38.3%, due to increased sales from both the packaging and property development segments. Although there was an increase in contribution from the property sector of RM2.271 million, the Group's profit before tax reduced by 20.5% to RM5.467 million as compared to RM6.878 million previously. This is due largely to the sharp increases in polyester prices that prevailed in 2010 for the packaging segment.

For the financial year ended 31 December 2010, the Group recorded revenue of RM267.749 million as compared to RM221.788 million for the financial year ended 31 December 2009, representing an increase of 20.7%. Although there was an increase in contribution from the property sector of RM2.743 million, the Group's profit before tax reduced by 12.2% to RM23.826 million compared to RM27.141 million previously. The reduction in the profit was due largely to the lower margins as a result of higher raw material prices that prevailed in 2010. In addition, the profit was also affected by foreign exchange loss and research and development expenses.

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 Taxation for the Quarter Reported On As Compared with the Immediate Preceding Quarter

For the three months under review, the Group's turnover of RM75.462 million represented an increase of 5.6% when compared to the turnover of the preceding quarter of RM71.427 million. The Group recorded a profit before tax of RM5.467 million compared to a profit before tax of RM6.297 million for the preceding quarter. The reasons for the changes are disclosed under item B1 above.

There were no other material factors affecting the changes in the profit before tax for the current quarter as compared with the preceding quarter.

B3 Prospects

The Group is committed to maintain its leadership position in the flexible packaging industry through its continued focus on product innovations and new market segments to register further top line growth. The Group will continue to improve productivity and manage its operation costs to remain profitable for the coming financial year.

The Board is optimistic that the Company's level of profitability will be sustained but takes cognisance of the challenging market outlook caused by the volatility in raw material prices.

B4 Profit Forecast or Profit Guarantee

No profit forecast or profit guarantee was provided.

B5 Taxation

| | 3 months ended | | 12 months ended | |
|-------------------------------------|----------------|------------|-----------------|--------------|
| | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| In respect of current period:- | | | | |
| - Malaysian Tax | 1,200 | 962 | 5,439 | 3,965 |
| - Foreign Tax | 196 | 53 | 487 | 368 |
| - Deferred Tax | (272) | (212) | (702) | (336) |
| | <u>1,124</u> | <u>803</u> | <u>5,224</u> | <u>3,997</u> |
| In respect of prior year:- | | | | |
| - Malaysian Tax over provided | - | (41) | (105) | (41) |
| - Foreign Tax (over)/under provided | (1) | 1 | (1) | 1 |
| | <u>1,123</u> | <u>763</u> | <u>5,118</u> | <u>3,957</u> |

The effective tax rate for the financial quarter ended 31 December 2010 was lower than the statutory tax rate mainly due to availability of tax incentives.

B6 Profits/(losses) on sale of unquoted investments and/or properties

There was no sale of unquoted investments and/or properties for the financial quarter ended 31 December 2010.

B7 Quoted Securities

The Group did not hold any quoted securities, nor were there any purchases or disposals of quoted securities for the financial quarter ended 31 December 2010.

B8 Status of Corporate Proposals

There were no corporate proposals announced as at the date of this quarterly report.

B9 Group Borrowings

Details of the Group's borrowings as at 31 December 2010 were as follows: -

| | Current | Non Current |
|------------------------------|----------------|--------------------|
| | RM'000 | RM'000 |
| Unsecured - Ringgit Malaysia | 24,039 | 3,401 |
| Secured - Ringgit Malaysia | 264 | 700 |
| Secured - Australian Dollar | 1,128 | - |
| | <u>25,431</u> | <u>4,101</u> |

Borrowings are denominated in Ringgit Malaysia and Australian Dollar.

B10 Financial instruments

With the adoption of FRS 139, financial derivatives are recognised on their respective contract dates. There are no off-balance financial instruments.

As at 31 December 2010, the Group has the following outstanding derivative financial instruments:-

| | Principal or Notional Amount RM '000 | Fair value- Net Gain/(Loss) RM '000 |
|---|---|--|
| <u>Foreign currency forward contracts:-</u> | | |
| Sell AUD | | |
| - Less than 1 year | 7,381 | (130) |
| Buy USD | | |
| - Less than 1 year | 473 | <u>(2)</u> |
| | | <u>(132)</u> |

The Group is exposed to risks arising from currency exposure with respect to Australian Dollar and United States Dollar. The Group enters into forward contracts as a hedge against fluctuation in its foreign currency collection and payment for future commercial transactions.

B11 Material litigation

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

B12 Dividend

The Board is pleased to declare a fourth interim dividend of 3.50 sen, tax exempt, in respect of the financial year ended 31 December 2010 and the said dividend will be paid on 30 March 2011 (2009: 6.50 sen tax exempt) to shareholders whose names appear on the Company's Record of Depositors on 15 March 2011.

B13 Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the period under review attributable to ordinary equity holders 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 during the period under review.

| | | 3 Months ended | | 12 Months ended | |
|--|----------|----------------|------------|-----------------|------------|
| | | 31.12.2010 | 31.12.2009 | 31.12.2010 | 31.12.2009 |
| Basic earnings per share | | | | | |
| Profit attributable to ordinary equity holders of the parent | (RM'000) | 4,155 | 6,055 | 18,186 | 22,763 |
| Weighted average number of ordinary shares in issue | ('000) | 75,598 | 75,274 | 75,238 | 75,743 |
| Basic earnings per share | (sen) | 5.50 | 8.04 | 24.17 | 30.05 |

B14 Disclosure of realised and unrealised profits

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits or losses, pursuant to the directive, is as follows:

| | 31.12.2010 | 30.9.2010 |
|---|----------------|-----------|
| | RM'000 | RM'000 |
| Total retained earnings of the Group:- | | |
| - Realised | 62,039 | 60,502 |
| - Unrealised | (4,532) | (4,914) |
| | 57,507 | 55,588 |
| Total share of retained earnings from an associated company:- | | |
| - Realised | 508 | 134 |
| - Unrealised | 1 | 2 |
| | 58,016 | 55,724 |
| Less: Consolidation adjustments | (3,319) | (2,916) |
| Total Group retained earnings as per consolidated accounts | 54,697 | 52,808 |

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses is made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Bhd and is not made for any other purposes.

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka
Dated : 17 February 2011

c.c. Securities Commission