

DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD (12994-W)
UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 30 JUNE 2012

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 2011. 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 2011.

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 2011 except for the adoption of the following:

Revised FRSs and Amendments to FRSs		Effective date
FRS 124	Related Party Disclosures (Revised)	1 January 2012
Amendments to FRS 7	Disclosures: Transfer of Financial Assets	1 January 2012

The adoption of the above revised FRSs and amendments to FRSs do not have significant financial impact on the Group and the Company.

FRSs, Revised FRSs, IC Interpretations ("IC Int.") and Amendments to FRSs Issued but Not Effective

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

FRSs, Revised FRSs, IC Int. and Amendments to FRSs		Effective date
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2013
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
FRS 119	Employee Benefits (Revised)	1 January 2013
FRS 127	Separate Financial Statements (Revised)	1 January 2013
FRS 128	Investments in Associates and Joint Ventures (Revised)	1 January 2013
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 1	Government Loans	1 January 2013
Amendments to FRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 9	Mandatory Effective Date of FRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010)	1 March 2012
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

The above FRSs, revised FRS, IC Int. and amendments to FRSs 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.

Malaysian Financial Reporting Standards (“MFRSs”)

On 19 November 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 periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called ‘Transitioning Entities’).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

On 4 July 2012, the MASB has decided to allow Transitioning Entities to defer the adoption of the MFRS Framework for another year. The MFRS Framework will therefore be mandated for all companies for annual periods beginning on or after 1 January 2014

A subsidiary and associate of the Group fall within the scope of definition of Transitioning Entities and have opted to defer the adoption of the new MFRS Framework. As a result, the Group has opted to defer the adoption of the new MFRS framework and accordingly, the Group will be required to prepare its financial statements using the MFRS Framework in its first financial statements for the financial year ending 31 December 2014.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group’s and the Company’s first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

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 repurchased 99,900 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM282,404 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 RM2.83. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

During the current quarter, the Company had disposed of 1,308,000 treasury shares valued at RM2.79 for a total net consideration of RM3,653,926 in the open market, resulting in a surplus of RM180,812 which has been credited to the share premium account.

A7 Dividend Paid

	6 months ended	
	30.06.2012	30.06.2011
	RM'000	RM'000
Fourth interim dividend paid for the year 2011: 4.00 sen tax exempt per ordinary share paid on 23 March 2012 (2011: 3.50 sen tax exempt per ordinary share for the year 2010 paid on 30 March 2011).	2,992	2,622
First interim dividend paid for the year 2012 : 3.50 sen tax exempt per ordinary share paid on 8 June 2012 (2011: 3.00 sen tax exempt per ordinary share paid on 10 June 2011)	2,654	2,239
	=====	=====

A8 Segmental analysis

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group is organised into the following operating divisions:

- Packaging - manufacture and marketing of flexible packaging materials
- Property development - development of land into residential and commercial building properties

Segment Revenue and Results

Segment information for the six months ended 30 June 2012 was as follows:

	<u>Packaging</u>	<u>Property</u>	<u>Eliminations</u>	<u>Group</u>
	RM'000	development RM'000	RM'000	RM'000
<u>2012</u>				
Revenue	137,778	1,557	-	139,335
	=====	=====	=====	=====
Results				
Segment results	16,349	537	-	16,886
Unallocated costs				(257)

Profit from operations				16,629
Finance costs				(514)
Share of results of associate	-	(128)	-	(128)

Profit before tax				15,987
				=====

Segment information for the six months ended 30 June 2011 was as follows:

	<u>Packaging</u> RM'000	<u>Property development</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
2011				
Revenue	132,082	8,779	-	140,861
	=====	=====	=====	=====
Results				
Segment results	11,137	2,412	-	13,549
Unallocated costs				(213)

Profit from operations				13,336
Finance costs				(593)
Share of results of associate	-	(231)	-	(231)

Profit before tax				12,512
				=====

Unallocated costs represent common costs and expenses incurred in dormant subsidiaries.

Geographical Information

The Group operates in two principal geographical areas - Malaysia (country of domicile) and Australia.

The Group's revenue from continuing operations from external customers and information about its non-current assets* by geographical location information for the three months ended are as follows:

	Group	
	30.06.2012	30.06.2011
	RM'000	RM'000
Revenue		
Malaysia	118,999	122,610
Australia	20,336	18,251
	<u>139,335</u>	<u>140,861</u>
Non current assets *		
Malaysia	79,048	68,048
Australia	326	227
	<u>79,374</u>	<u>68,275</u>

* Non-current assets excluding land held for development, investment in associate and deferred tax assets.

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 30 June 2012 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

On 8 June 2012, the Company acquired additional 24.5% interest in Daibochi Australia Pty. Ltd., an existing subsidiary of the Company for a total consideration amounting to Australian Dollar 750,000 (equivalent to RM2,342,175), increasing its ownership from 51.0% to 75.5%.

A12 Contingent liabilities

As at 30 June 2012, the Company has issued a corporate guarantee for RM500,000 and a Standby Letter of Credit for Australian Dollar 500,000 (equivalent to RM1,607,250) in respect of credit facilities granted by licensed banks to its subsidiaries. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by the subsidiaries.

A13 Capital Commitments

Capital commitments not provided for in the financial statements as at 30 June 2012 were as follows: -

	RM'000
Property, plant and equipment	
- Authorised and contracted for	5,804
- Authorised but not contracted for	4,350
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ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Review of Performance

	Packaging			Property			Total		
	2Q12 RM'000	2Q11 RM'000	% Change	2Q12 RM'000	2Q11 RM'000	% Change	2Q12 RM'000	2Q11 RM'000	% Change
Revenue	69,019	66,994	+3.0%	1,557	6,197	-74.9%	70,576	73,191	-3.6%
PBT	8,186	5,032	+62.7%	607	1,591	-61.8%	8,793	6,623	+32.8%

For the quarter ended 30 June 2012, the Group revenue declined by 3.6% to RM70.58 million from RM73.19 million for the corresponding quarter in the previous year. Profit before tax ("PBT") however increased by 32.8% to RM8.79 million compared to RM6.62 million previously.

The **packaging segment** recorded revenue of RM69.02 million for the three months ended 30 June 2012 as compared to RM67.00 million for the corresponding period in the previous year, representing an increase of 3.0% in revenue. The revenue from the subsidiary in Australia has been on an uptrend in 2012, registering an increase of 14.4% as compared to the corresponding quarter in the previous year. PBT increased by 62.7% to RM8.19 million as compared to RM5.03 million previously. The significant increase in the PBT was mainly attributable to the improved operational yields from the ongoing focus on improvement in wastage control and cost efficiencies as well as a more favourable sales mix. The lower PBT in 2011 was due to higher solvent price during that period.

For the quarter ended 30 June 2012, contribution from the **property segment** amounted to RM607,000 as compared to RM1.59 million for the corresponding period in the previous year, in line with the phasing out of the Group's property development activities.

	Packaging			Property			Total		
	1H12 RM'000	1H11 RM'000	% Change	1H12 RM'000	1H11 RM'000	% Change	1H12 RM'000	1H11 RM'000	% Change
Revenue	137,778	132,082	+4.3%	1,557	8,779	-82.3%	139,335	140,861	-1.1%
PBT	15,578	10,330	+50.8%	409	2,182	-81.3%	15,987	12,512	+27.8%

For the six months ended 30 June 2012, the Group recorded revenue of RM139.34 million as compared to RM140.86 million for the corresponding period in the previous year, representing a decrease of 1.1%. PBT however increased by 27.8% to RM15.99 million compared to RM12.51 million previously.

The **packaging segment** recorded revenue of RM137.78 million for the six months ended 30 June 2012 as compared to RM132.08 million for the corresponding period in the previous year, representing an increase of 4.3% in revenue. The revenue from the subsidiary in Australia registered an increase of 11.5% as compared to the previous year. PBT increased by 50.8% to RM15.58 million as compared to RM10.33 million previously. The reasons for the increase in PBT are disclosed as above.

For the six months ended 30 June 2012, contribution from the **property segment** amounted to RM409,000 as compared to RM2.182 million for the corresponding period in the previous year. The decrease in the contribution from the property segment was attributable to the phasing out of the Group's property development activities.

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

For the past three financial years, the Group has adhered to its dividend policy of distributing no less than 50% of the Group's annual net profit to shareholders. In addition, the dividend is to be paid on a quarterly basis. Upon review of the Group's continued steady profitability and improved cash flow, the Board is pleased to announce an upward revised dividend policy of distributing no less than 60% of the Group's annual net profit to shareholders. The dividend will continue to be paid on a quarterly basis.

The higher dividend distribution is anticipated to be within the Group's financial capability in view of the positive prospects in the flexible packaging sector, and effectively rewards long-term investors alongside the Group's expanding operations.

The revised dividend policy would take effect from the quarter ended 30 June 2012 onwards.

B2 Material Changes in Profit Before Taxation for the Quarter Reported On As Compared with the Immediate Preceding Quarter

	Packaging			Property			Total		
	2Q12 RM'000	1Q12 RM'000	% Change	2Q12 RM'000	1Q12 RM'000	% Change	2Q12 RM'000	1Q12 RM'000	% Change
Revenue	69,019	68,759	+0.4%	1,557	0	>100%	70,576	68,759	+2.6%
PBT/(Loss)	8,186	7,392	+10.7%	607	(198)	>100%	8,793	7,194	+22.2%

For the three months under review, the Group's turnover of RM70.58 million represented an increase of 2.6% when compared to the turnover of the preceding quarter of RM68.76 million. PBT however increased by 22.2% to RM8.79 million compared to RM7.19 million for the preceding quarter.

The **packaging segment** recorded a PBT of RM8.19 million for the three months ended 30 June 2012 as compared to RM7.39 million for the preceding quarter, representing an increase of 10.7%. The increase in PBT was mainly due to continuing focus on improvement in wastage control and cost efficiencies as well as a more favourable sales mix in the current quarter.

The **property segment** was profitable in the current quarter due to the recognition of sale of bumiputra quota stocks released in December 2011.

B3 Prospects

The Company is well positioned to pursue growth opportunities in the regional Food and Beverage ("F&B") sector as multinational manufacturers are increasingly sourcing their flexible packaging requirements from Asia. We are targeting certain segments within the F&B sector to deliver improvements in growth and earnings. We will continue with our focus on securing more contribution/business from the non F&B sector in 2012.

In spite of the current economic uncertainties in Europe the Board expects a strong performance in 2012 due to the defensiveness of its core F&B end markets.

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		6 months ended	
	30.06.2012 RM'000	30.06.2011 RM'000	30.06.2012 RM'000	30.06.2011 RM'000
Interest income	40	47	67	56
Other income	555	597	1,681	1,038
Interest expense	(229)	(315)	(514)	(593)
Depreciation and amortisation	(2,204)	(2,061)	(4,277)	(3,943)
Recoveries of impairment for trade receivables	5	-	5	2
Reversal of allowance / (allowance) for obsolete inventories - net	449	39	(21)	(205)
Foreign exchange gain/(loss):				
-Realised	87	(80)	(197)	(154)
-Unrealised	422	66	86	(278)
(Loss)/gain on derivatives:				
-Realised	(70)	15	(187)	243
-Unrealised	(132)	9	56	45

Other than the above, there were no disposal of quoted or unquoted investments or properties and impairment of assets for the financial quarter ended 30 June 2012.

B6 Taxation

	3 months ended		6 months ended	
	30.06.2012 RM'000	30.06.2011 RM'000	30.06.2012 RM'000	30.06.2011 RM'000
In respect of current period:-				
- Malaysian Tax	1,848	1,201	3,333	2,097
- Foreign Tax	152	151	311	326
- Deferred Tax	254	136	519	108
	<u>2,254</u>	<u>1,488</u>	<u>4,163</u>	<u>2,531</u>
In respect of prior year:-				
- Foreign Tax overprovided	-	(25)	-	(25)
	<u>2,254</u>	<u>1,463</u>	<u>4,163</u>	<u>2,506</u>

B7 Status of Corporate Proposals

On 30 May 2012, the Company announced its proposal to undertake a bonus issue of up to 37,950,900 new ordinary shares of RM1.00 each ("Bonus Shares") to be credited as fully paid-up on the basis of one (1) Bonus Share for every two (2) existing Daibochi Shares held by the shareholders of Daibochi whose names appear in the Record of Depositors on the entitlement date to be determined later ("Proposed Bonus Issue").

The Proposed Bonus Issue is subject to the approval of:-

- (i) Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the Bonus Shares on the Main Market of Bursa Securities;
- (ii) Shareholders of the Company at the Extraordinary General Meeting ("EGM") to be held on 26 July 2012; and
- (iii) Any other relevant authority, if required.

The listing application for the Proposed Bonus Issue was submitted to Bursa Securities on 14 June 2012. Bursa Securities had, vide its letter dated 19 June 2012 approved the listing and quotation of the Bonus Shares pursuant to the Proposed Bonus Issue.

The shareholders of the Company approved the Proposed Bonus Issue during the EGM held on 26 July 2012.

The Proposed Bonus Issue is expected to be completed by mid-September 2012.

B8 Group Borrowings

Details of the Group's borrowings as at 30 June 2012 were as follows: -

	Current	Non Current
	RM'000	RM'000
Unsecured - Ringgit Malaysia	10,589	8,297
Unsecured - United States Dollar	10,416	-
Secured - Ringgit Malaysia	284	631
Secured - Australian Dollar	1,511	-
	<u>22,800</u>	<u>8,928</u>

Borrowings are denominated in Ringgit Malaysia, United States Dollar and Australian Dollar.

B9 Material litigation

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

B10 Dividend

The Board is pleased to declare a second interim dividend of 6.00 sen, tax exempt, in respect of the financial year ending 31 December 2012 and the said dividend will be paid on 7 September 2012 (2011: 3.50 sen tax exempt) to shareholders whose names appear on the Company's Record of Depositors on 15 August 2012.

B11 Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the 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 period under review.

	3 Months ended		6 Months ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
Profit attributable to owners of the Company (RM'000)	<u>6,387</u>	4,975	<u>11,490</u>	9,621
Weighted average number of ordinary shares in issue ('000)	<u>75,396</u>	74,900	<u>75,024</u>	74,942
Basic earnings per share (sen)	<u>8.47</u>	6.64	<u>15.32</u>	12.84

B12 Disclosure of realised and unrealised earnings

The breakdown of retained earnings of the Group as at 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:

	30.06.2012	31.12.2011
	RM'000	RM'000
Total retained earnings of the Group:-		
- Realised	80,773	74,069
- Unrealised	(6,093)	(5,620)
	74,680	68,449
Total share of retained earnings from associate:-		
- Realised	308	436
- Unrealised	1	1
	74,989	68,886
Less: Consolidation adjustments	(5,230)	(3,848)
Total Group retained earnings	69,759	65,038

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka

Dated : 26 July 2012

c.c. Securities Commission