

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

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 interim financial 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., Amendments to FRSs and IC Int.		Effective date
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015
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
Amendment to FRS 1	First-time Adoption of Financial Reporting Standard [Improvements to FRSs (2012)]	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 10	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

FRSs, Revised FRSs, IC Int., Amendments to FRSs and IC Int.		Effective date
Amendments to FRS 11	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to FRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendment to FRS 101	Presentation of Financial Statements [Improvements to FRSs (2012)]	1 January 2013
Amendment to FRS 116	Property, Plant and Equipment [Improvements to FRSs (2012)]	1 January 2013
Amendment to FRS 132	Financial Instruments: Presentation [Improvements to FRSs (2012)]	1 January 2013
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendment to FRS 134	Interim Financial Reporting [Improvements to FRSs (2012)]	1 January 2013
Amendment to IC Int. 2	Members' Shares in Co-operative Entities & Similar Instruments [Improvements to FRSs (2012)]	1 January 2013

The above FRSs, revised FRS, IC Int. 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.

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 first financial statements using the MFRS Framework 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 168,800 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM395,740 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 RM2.34. 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 36,300 treasury shares valued at RM3.14 for a total net consideration of RM113,853 in the open market, resulting in a surplus of RM12,267 which has been credited to the share premium account.

A7 Dividend Paid

	9 months ended	
	30.09.2012	30.09.2011
	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
Second interim dividend paid for the year 2012 : 6.00 sen tax exempt per ordinary share paid on 7 September 2012 (2011: 3.50 sen tax exempt per ordinary share paid on 14 September 2011)	4,554	2,630
	=====	=====

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 nine months ended 30 September 2012 was as follows:

	<u>Packaging</u> RM'000	<u>Property development</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
2012				
Revenue	202,900	2,092	-	204,992
	=====	=====	=====	=====
Results				
Segment results	25,696	650	-	26,346
Unallocated costs				(365)

Profit from operations				25,981
Finance costs				(708)
Share of results of associate	-	(33)	-	(33)

Profit before tax				25,240
				=====

Segment information for the nine months ended 30 September 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	194,329	14,197	-	208,526
	=====	=====	=====	=====
Results				
Segment results	16,233	3,277	-	19,510
Unallocated costs				(290)

Profit from operations				19,220
Finance costs				(902)
Share of results of associate	-	(313)	-	(313)

Profit before tax				18,005
				=====

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 nine months ended are as follows:

	Group	
	30.09.2012	30.09.2011
	RM'000	RM'000
Revenue		
Malaysia	173,004	181,022
Australia	31,988	27,504
	<u>204,992</u>	<u>208,526</u>
Non current assets *		
Malaysia	81,889	67,633
Australia	307	207
	<u>82,196</u>	<u>67,840</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 September 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% equity 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%.

There were no other changes in the composition of the Group including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring and discontinuing operations as at 30 September 2012.

A12 Contingent liabilities

As at 30 September 2012, the Company has issued a corporate guarantee for RM500,000 and a Standby Letter of Credit for Australian Dollar 500,000 (equivalent to RM1,605,500) 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 September 2012 were as follows: -

	RM'000
Property, plant and equipment	
- Authorised and contracted for	<u>2,427</u>

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

B1 Review of Performance

The Group's performance for the quarter under review compared with the corresponding quarter of the previous financial year is as tabled below:

	Packaging			Property			Total		
	3Q12 RM'000	3Q11 RM'000	% Change	3Q12 RM'000	3Q11 RM'000	% Change	3Q12 RM'000	3Q11 RM'000	% Change
Revenue	65,122	62,247	+5%	535	5,418	-90%	65,657	67,665	-3%
PBT	9,045	4,710	+92%	208	783	-73%	9,253	5,493	+68%

For the current quarter ended 30 September, the Group's revenue declined by 3.0% to RM65.66 million from RM67.67 million for the corresponding quarter in the previous year mainly due to the lower turnover from the property sector. Despite the lower contribution from the property segment, profit before tax ("PBT") of the Group increased by 68% to RM9.25 million compared to RM5.49 million previously.

Packaging segment

The packaging segment recorded revenue of RM65.12 million for the three months ended 30 September 2012 as compared to RM62.25 million for the corresponding period in the previous year, representing an increase of 5% in revenue. This is mainly attributable to the higher revenue from its subsidiary in Australia specifically from increased sales orders from its coffee packaging sector.

For the current quarter ended 30 September, the packaging segment has achieved a record high PBT of RM9.05 million with an increase of 92% as compared to RM4.71 million previously. The significant increase in the packaging segment's PBT was mainly attributable to more favourable sales mix and further improvement in wastage control.

Property segment

For the three months ended 30 September 2012, the property segment recognised lower revenue and PBT of RM535,000 and RM208,000 respectively. This is in line with the phasing out of the Group's property development activities.

The Group's performance for the nine months under review compared with the corresponding nine months of the previous financial year is as tabled below:

	Packaging			Property			Total		
	9m12 RM'000	9m11 RM'000	% Change	9m12 RM'000	9m11 RM'000	% Change	9m12 RM'000	9m11 RM'000	% Change
Revenue	202,900	194,329	+4%	2,092	14,197	-85%	204,992	208,526	-2%
PBT	24,623	15,040	+64%	617	2,965	-79%	25,240	18,005	+40%

For the nine months ended 30 September 2012, the Group recorded revenue of RM204.99 million as compared to RM208.53 million for the corresponding period in the previous year, representing a decrease of 2%. PBT however increased by 40% to RM25.24 million compared to RM18.01 million previously even though the property segment has a lower contribution for the nine months under review.

Packaging segment

The packaging segment recorded a 4% increase in revenue, mainly from its export sales. The revenue from Australia has been on an uptrend in 2012, registering an increase of 16% as compared to the previous year. PBT increased by 64% to RM24.62 million as compared to RM15.04 million previously. The improvement in profitability was mainly due to the reasons as disclosed above.

Property segment

For the nine months ended 30 September 2012, contribution from the property segment amounted to RM617,000 as compared to RM2.97 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.

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

	Packaging			Property			Total		
	3Q12 RM'000	2Q12 RM'000	% Change	3Q12 RM'000	2Q12 RM'000	% Change	3Q12 RM'000	2Q12 RM'000	% Change
Revenue	65,122	69,019	-6%	535	1,557	-66%	65,657	70,576	-7%
PBT/(Loss)	9,045	8,186	+10%	208	607	-66%	9,253	8,793	+5%

For the three months under review, the Group's revenue of RM65.66 million represented a decrease of 7% when compared to the turnover of the preceding quarter of RM70.58 million. PBT however rose by 5% to RM9.25 million compared to RM8.79 million for the preceding quarter.

Packaging segment

Packaging segment's revenue was lower by 6% compared to the previous quarter. However, there was an increase in the output generated for the quarter under review as approximately RM3 million worth of stocks were contracted to be delivered in the forthcoming quarter. Nevertheless, the packaging segment recorded an increase in PBT of 10% in the current quarter. This is mainly attributable to a 12% improvement in wastage control coupled with higher output during the quarter under review.

Property segment

For the three months ended 30 September 2012, contribution from the property segment amounted to RM208,000 as compared to RM607,000 for the previous quarter. The lower revenue and PBT from the property segment is in line with the phasing out of the Group's property development activities.

B3 Prospects

The Company has been receiving further enquiries from multinational manufacturers for the sourcing of their flexible packaging requirements from Asia. Being a regional market leader in the flexible packaging industry with strong track record and high focus on product innovation, the Company is well positioned to take up these opportunities.

The Board is optimistic that with the strong performance from the packaging segment in the current quarter and the continued customer expansion initiatives, the Group is poised to deliver a record year in earnings for 2012 despite the anticipated minimal contribution from the property segment.

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	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
Interest income	57	2	124	58
Other income	665	492	2,346	1,530
Interest expense	(194)	(309)	(708)	(902)
Depreciation and amortisation	(2,263)	(2,090)	(6,540)	(6,033)
Recoveries of impairment for trade receivables	-	-	5	2
(Allowance)/reversal of allowance for obsolete inventories - net	(621)	1,097	(642)	892
Foreign exchange gain/(loss):				
-Realised	86	70	(111)	(84)
-Unrealised	(363)	(347)	(277)	(625)
Gain/(loss) on derivatives:				
-Realised	94	(8)	(93)	235
-Unrealised	148	442	204	487

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 September 2012.

B6 Taxation

	3 months ended		9 months ended	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
In respect of current period:-				
- Malaysian Tax	2,339	424	5,672	2,521
- Foreign Tax	63	155	374	481
- Deferred Tax	(73)	211	446	319
	<u>2,329</u>	<u>790</u>	<u>6,492</u>	<u>3,321</u>
In respect of prior year:-				
- Malaysian Tax overprovided	(16)	(17)	(16)	(17)
- Foreign Tax overprovided	-	-	-	(25)
	<u>2,313</u>	<u>773</u>	<u>6,476</u>	<u>3,279</u>

B7 Status of Corporate Proposals

The proposed bonus issue of 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 ("Proposed Bonus Issue") was approved by the shareholders of the Company at the Extraordinary General Meeting held on 26 July 2012.

37,950,695 Bonus Shares were granted listing and quotation on the Main Market of Bursa Malaysia Securities Berhad on 10 September 2012, marking the completion of the Proposed Bonus Issue.

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

B8 Group Borrowings

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

	Current RM'000	Non Current RM'000
Unsecured - Ringgit Malaysia	7,734	6,785
Unsecured - United States Dollar	11,018	962
Secured - Ringgit Malaysia	261	564
Secured - Australian Dollar	1,334	-
	<u>20,347</u>	<u>8,311</u>

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

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 at 30 September 2012, the Group has the following outstanding derivative financial assets:-

	Principal or Notional Amount RM'000	Fair value Net gain RM'000
<u>Foreign currency forward contracts:-</u>		
Sell AUD		
- Less than 1 year	<u>648</u>	<u>9</u>

The Group is exposed to risks arising from currency exposure with respect to Australian Dollar.

There is no change to the Group's financial risk management policies and objectives in managing these derivative financial assets and its related accounting policies.

B10 Material litigation

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

B11 Dividend

The Board is pleased to declare a third interim dividend of 3.50 sen, tax exempt, in respect of the financial year ending 31 December 2012 and the said dividend will be paid on 7 December 2012 (2011: 3.00 sen tax exempt) to shareholders whose names appear on the Company's Record of Depositors on 16 November 2012.

B12 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		9 Months ended	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
		(Restated)*		(Restated)*
Profit attributable to owners of the Company (RM'000)	6,903	4,543	18,393	14,164
Weighted average number of ordinary shares in issue ('000):				
Issued ordinary shares at 1 January	113,853	113,853	113,853	113,853
Effect of treasury shares held	(21)	(714)	(590)	(877)
Weighted average number of ordinary shares at 30 September	113,832	113,139	113,263	112,976
Basic earnings per share (sen)	6.06	4.02	16.24	12.54

**For comparative purpose, the number of ordinary shares for the quarter/ period ended 30 September 2011 had been adjusted to reflect the bonus issue of 1 for every 2 ordinary shares held by the entitled shareholders, par value RM1.00 each which was completed on 10 September 2012.*

B13 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:

	30.09.2012	31.12.2011
	RM'000	RM'000
Total retained earnings of the Group:-		
- Realised	44,849	74,069
- Unrealised	(6,071)	(5,620)
	38,778	68,449
Total share of retained earnings from associate:-		
- Realised	405	436
- Unrealised	1	1
	39,184	68,886
Less: Consolidation adjustments	(5,027)	(3,848)
Total Group retained earnings	34,157	65,038

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka

Dated : 25 October 2012

c.c. Securities Commission