

DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD (12994 - W)
UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED MARCH 31, 2013

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, 2012. 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, 2012.

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, 2012 except for the adoption of the following:

Amendments to FRS	Effective date
Amendment to FRS 134 Interim Financial Reporting [Improvements to FRSs (2012)]	January 1, 2013

The adoption of the amendments to FRS does not have significant financial impact on the financial statements of the Group and of the Company.

FRSs and Amendments to FRSs

At the date of issuance of this interim financial report, the FRSs and amendments to FRSs which were in issue but not yet effective are as listed below:

FRSs and Amendments to FRSs	Effective date
FRS 9 Financial Instruments (International Financial Reporting Standards ("IFRS") 9 issued by International Accounting Standards Board ("IASB") in November 2009)	January 1, 2015
FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	January 1, 2015
Amendments to FRS 9/FRS 7 Mandatory Effective Date of FRS 9 and Transition Disclosures [(IFRS 9 issued by IASB in November 2009 and October 2010) and FRS7]	January 1, 2015
Amendments to FRS 10, FRS 12 and FRS 127 Investment Entities	January 1, 2014
Amendments to FRS 132 Offsetting Financial Assets and Financial Liabilities	January 1, 2014

The above FRSs and amendments to FRSs will be adopted in the financial statements of the Group and of the Company when they become effective and that the adoption of these FRSs and amendments to FRSs will have no significant impact on the financial statements of the Group and of the Company in the period of initial application.

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 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 financial periods beginning on or after January 1, 2013. On July 4, 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 financial periods beginning on or after January 1, 2014.

A subsidiary and an 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 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, 2014.

The three subsidiaries which are not Transitioning Entities had adopted MFRS on January 1, 2012.

The Group and the Company are currently assessing the impact of adoption of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, 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 of 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 financial year, which have a material effect in the current quarter.

A6 Debt and Equity Securities

During the current quarter, the Company repurchased 375,400 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM962,071 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 RM2.56. 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 526,000 treasury shares valued at RM2.54 for a total net consideration of RM1,336,674 in the open market, resulting in a surplus of RM2,223 which has been credited to the share premium account.

A7 Valuations of property, plant and equipment

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

A8 Dividend

There was no dividend paid during the financial quarter ended March 31, 2013.

A9 Related party transactions

As of March 31, 2013, the significant related party transactions of the Group were as follows:

	3 months ended	
	31.03.2013	31.03.2012
	RM'000	RM'000
Other related parties		
- Modern Baking Pty. Ltd. ^	-	260
- Unibic Australia Pty. Ltd. ^	-	219
Director		
- James Edwin & Co. @	18	-
	=====	=====

^ A company in which director/(s) of a subsidiary has substantial financial interest.

@ A firm in which a director is a member for services rendered in a professional capacity.

A10 Contingent liabilities

As of March 31, 2013, the Company has issued a corporate guarantee for RM500,000 and a Standby Letter of Credit for Australian Dollar 500,000 (equivalent to RM1,612,750) 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.

A11 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 three months ended March 31, 2013 was as follows:

	<u>Packaging</u> RM'000	<u>Property development</u> RM'000	<u>Eliminations</u> RM'000	<u>Group</u> RM'000
<u>2013</u>				
Revenue	71,640	1,746	-	73,386
	=====	=====	=====	=====
Results				
Segment results	9,486	165	-	9,651
Unallocated costs				(94)

Profit from operations				9,557
Finance costs				(214)
Share of results of an associate	-	159	-	159

Profit before tax				9,502
				=====

Segment information for the three months ended March 31, 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
<u>2012</u>				
Revenue	68,759	-	-	68,759
	=====	=====	=====	=====
Results				
Segment results	7,783	(97)	-	7,686
Unallocated costs				(106)

Profit from operations				7,580
Finance costs				(285)
Share of results of an associate	-	(101)	-	(101)

Profit before tax				7,194
				=====

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	
	31.03.2013	31.03.2012
	RM'000	RM'000
Revenue		
Malaysia	63,313	58,203
Australia	10,073	10,556
	73,386	68,759
Non-current assets *		
Malaysia	86,370	87,218
Australia	252	258
	86,622	87,476

* Non-current assets excluding investment in an associate and deferred tax assets.

A12 Capital Commitments

Capital commitments not provided for in the financial statements as of March 31, 2013 were as follows: -

	RM'000
Property, plant and equipment	
- Authorised and contracted for	6,356
- Authorised but not contracted for	7,213
	<u>7,213</u>

A13 Subsequent events

There were no material events subsequent to March 31, 2013 and up to the date of the issuance of this quarterly report that have not been reflected in this quarterly report.

A14 Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial quarter ended March 31, 2013 including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring and discontinuing operations.

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		
	1Q13 RM'000	1Q12 RM'000	% Change	1Q13 RM'000	1Q12 RM'000	% Change	1Q13 RM'000	1Q12 RM'000	% Change
Revenue	71,640	68,759	+4%	1,746	-	nc*	73,386	68,759	+7%
PBT	9,178	7,392	+24%	324	(198)	>100%	9,502	7,194	+32%

* nc - not comparable

For the current quarter ended March 31, the Group's revenue of RM73.39 million was 7% higher compared with RM68.76 million for the corresponding quarter in the previous year. During the current quarter, the Group has set a new record high PBT of RM9.50 million. This represented a substantial increase of 32% as compared to RM7.19 million in the corresponding quarter in 2012.

Packaging segment

The **packaging segment** recorded a 4% increase in revenue for the three months ended March 31, 2013 as compared to the corresponding period in the previous year. PBT increased by 24% to RM9.18 million as compared to RM7.39 million previously. The substantial increase in PBT was attributable to the higher sales volume, favourable product mix and continued improvement in wastage control.

While the Company had already adhered the requirements of the minimum wage policy which was implemented by the Government in January 2013, the Company opted to remunerate the employees above the statutory minimum wage in addition to retaining the existing productivity incentives. This created a very conducive operating environment of positive minded employees, thereby encouraging higher productivity and efficiency.

Property segment

In the current quarter, the Group recognized sales of stocks for which bumiputra quota releases were obtained in the prior year, resulting in a profitable quarter.

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		
	1Q13 RM'000	4Q12 RM'000	% Change	1Q13 RM'000	4Q12 RM'000	% Change	1Q13 RM'000	4Q12 RM'000	% Change
Revenue	71,640	72,868	-2%	1,746	892	+96%	73,386	73,760	-1%
PBT	9,178	8,646	+6%	324	35	>100%	9,502	8,681	+9%

During the current quarter, there was a slight decrease in the Group's revenue of RM73.39 million from RM73.76 million in the previous quarter. However, in the current quarter the Group achieved a record high PBT of RM9.50 million with an increase of 9% from the preceding quarter.

Packaging segment

The **packaging segment** recorded a slight decrease of 2% in revenue for the three months ended March 31, 2013 as compared to the preceding quarter. The revenue for the current quarter was RM71.64 million compared with RM72.87 million in the previous quarter. Even though there was a slight decrease in the revenue, the PBT increased by 6% to RM9.18 million from RM8.65 million previously. The increase in PBT was mainly attributable to the favourable sales mix and the relatively stable raw material prices in the current quarter as compared to the preceding quarter. As mentioned in note B1 above, the favourable effect of a positive-attitude workforce also contributed to the current quarter's performance.

Property segment

In the current quarter, there were ongoing sales of stocks for which bumiputra quota releases were obtained in the prior year resulting in a profitable quarter.

B3 Prospects

The construction of the new plant is on schedule and is targeted for completion by the fourth quarter of 2013. In line with the expansion plans for the new plant, the Company has already contracted the purchase of a film making and a metallising machine. The new machines are scheduled to arrive by the last quarter of 2013.

Despite the expected uptrend in raw material prices in the second quarter of 2013, the Company is positive of its 2013 prospects. This is due to the significant increase in export revenue from new customers that are anticipated to materialise in the second half of the year. The Company also expects to benefit from ongoing initiatives to enhance operations efficiency.

The Board is optimistic of the performance for 2013 as the Group strives for another record year in revenue and earnings.

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	
	31.03.2013	31.03.2012
	RM'000	RM'000
Interest income	(32)	(27)
Other operating income	(565)	(1,240)
Gain on disposal of property, plant and equipment	(16)	(6)
Interest expense	214	285
Depreciation of property, plant and equipment	2,341	2,073
Inventories write-down	711	1,152
Reversal of inventories write-down	(560)	(630)
Foreign exchange (gain)/loss:		
- Realised	(101)	284
- Unrealised	(30)	336
(Gain)/Loss on derivatives:		
- Realised	(49)	117
- Unrealised	68	(187)

There were no provision for and write-off of receivables, disposal of quoted or unquoted investments or properties, impairment of assets and exceptional items for the financial quarter ended March 31, 2013.

B6 Taxation

	3 months ended	
	31.03.2013	31.03.2012
	RM'000	RM'000
Current:		
- Malaysian Tax	1,804	1,485
- Foreign Tax	173	159
	<u>1,977</u>	<u>1,644</u>
Deferred tax:		
- Current	413	265
	<u>2,390</u>	<u>1,909</u>

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 March 31, 2013 were as follows: -

	Current RM'000	Non Current RM'000
Unsecured - Ringgit Malaysia	14,324	4,699
Unsecured - United States Dollar	10,287	583
Secured - Ringgit Malaysia	268	429
Secured - Australian Dollar	671	-
	<u>25,550</u>	<u>5,711</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 March 31, 2013, the Group has the following outstanding derivative financial liabilities:-

	Principal or Notional Amount RM'000	Fair value Net loss RM'000
<u>Foreign currency forward contracts:-</u>		
Sell AUD		
- Less than 1 year	2,529	14
Buy EUR		
- Less than 1 year	7,273	<u>44</u>
		<u>58</u>

The Group are exposed to risks arising from currency exposure with respect to Australian Dollar and Euro Dollar.

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

B10 Material litigation

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

B11 Dividends Paid

The Board is pleased to declare a first interim dividend of 4.0 sen, tax exempt, in respect of the financial year ending December 31, 2013 and the said dividend will be paid on June 7, 2013 (2012: 3.50 sen tax exempt) to shareholders whose names appear on the Company's Record of Depositors May 15, 2013.

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	
	31.03.2013	31.03.2012 (Restated)*
Profit attributable to owners of the Company (RM'000)	<u>7,112</u>	<u>5,103</u>
Weighted average number of ordinary shares in issue ('000):		
Issued ordinary shares as of January 1	113,853	113,853
Effect of treasury shares held	<u>(440)</u>	<u>(1,250)</u>
Weighted average number of ordinary shares as of March 31	<u>113,413</u>	<u>112,603</u>
Basic earnings per share (sen)	<u>6.27</u>	<u>4.53</u>

**For comparative purpose, the number of ordinary shares for the quarter/period ended March 31, 2012 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 September 10, 2012.*

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:

	31.03.2013	31.12.2012
	RM'000	RM'000
Total retained earnings of the Group:-		
- Realised	49,615	47,243
- Unrealised	<u>(6,282)</u>	<u>(6,143)</u>
	43,333	41,100
Total share of retained earnings from an associate:-		
- Realised	926	767
- Unrealised	<u>1</u>	<u>1</u>
	44,260	41,868
Less: Consolidation adjustments	<u>(6,430)</u>	<u>(7,173)</u>
Total Group retained earnings	<u>37,830</u>	<u>34,695</u>

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka

Dated: April 25, 2013

c.c. Securities Commission