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, 2013. 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, 2013.

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, 2013 except for the adoption of the following:

Amendments to FRSs		**Effective date**
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
Amendments to FRS 136	Recoverable Amount Disclosure for Non-Financial Assets	January 1, 2014
Amendments to FRS 139	Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014

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

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. On August 7, 2013, the MASB has decided to extend the transitional period for another year, i.e. the adoption of the MFRS Framework by all entities for annual financial periods beginning on or after January 1, 2015.

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, 2015.

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

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 period under review.

A6 Debt and Equity Securities

During the current quarter, the Company repurchased 61,300 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM269,583 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 RM4.40. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

A7 Dividend Paid

	6 months ended	
	30.6.2014	30.6.2013
	RM'000	RM'000
Fourth interim single tier dividend paid for the financial year 2013: 4.00 sen per ordinary share paid on March 28, 2014. (2013: 3.50 sen tax exempt per ordinary share for the financial year 2012 paid on April 12, 2013).	**4,552**	3,977
First interim single tier dividend paid for the financial year 2014: 3.50 sen per ordinary share paid on June 26, 2014. (2013: 4.00 sen tax exempt per ordinary share for the financial year 2013 paid on June 7, 2013).	**3,982**	4,553
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A8 Related party transactions

There were no significant related party transactions for the period under review.

A9 Contingent liabilities

As of June 30, 2014, the Company has issued a corporate guarantee for RM500,000 in respect of credit facility granted by a licensed bank to its subsidiary. Accordingly, the Company is contingently liable to the extent of the amount of the credit facility utilised by the subsidiary.

As the credit facility is no longer required by its subsidiary, the facility has been cancelled by the bank on July 17, 2014. Consequently, the corporate guarantee of RM500,000 is no longer applicable.

A10 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 June 30, 2014 was as follows:

	Packaging RM'000	Property development RM'000	Eliminations RM'000	Group RM'000
2014				
Revenue	**176,286**	**1,082**	**-**	**177,368**
Results				
Segment results	**18,047**	**161**	**-**	**18,208**
Unallocated costs				**(223)**
Profit from operations				**17,985**
Finance costs	**(888)**	**-**	**-**	**(888)**
Share of results of an associate	**-**	**145**	**-**	**145**
Profit before tax				**17,242**

Segment information for the six months ended June 30, 2013 was as follows:

	Packaging RM'000	Property development RM'000	Eliminations RM'000	Group RM'000
2013				
Revenue	140,854	1,992	-	142,846
Results				
Segment results	17,805	257	-	18,062
Unallocated costs				(215)
Profit from operations				17,847
Finance costs	(449)	-	-	(449)
Share of results of an associate	-	175	-	175
Profit before tax				17,573

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

Segment Assets and Liabilities

Segment assets and liabilities for the six months ended June 30, 2014 were as follows:

2014	Packaging RM'000	Property development RM'000	Eliminations RM'000	Group RM'000
Assets				
Segment assets	282,029	3,858	(22,684)	263,203
Investment in an associate	-	23,901	-	23,901
Unallocated assets				86
Consolidated total assets				287,190
Liabilities				
Segment liabilities	117,332	14,828	(22,684)	109,476
Unallocated liabilities				11,430
Consolidated total liabilities				120,906

Segment assets and liabilities for the six months ended June 30, 2013 were as follows:

2013	Packaging RM'000	Property development RM'000	Eliminations RM'000	Group RM'000
Assets				
Segment assets	238,952	10,672	(28,164)	221,460
Investment in an associate	-	23,511	-	23,511
Unallocated assets				429
Consolidated total assets				245,400
Liabilities				
Segment liabilities	84,726	22,594	(28,164)	79,156
Unallocated liabilities				11,093
Consolidated total liabilities				90,249

Segment assets consist primarily of property, plant and equipment, land held for development, inventories, operating receivables and cash, and exclude investment, tax recoverable, deferred tax assets and cash and bank balances for dormant subsidiaries. Segment liabilities comprise operating liabilities and exclude items such as tax payable, deferred tax liabilities and accrued expenses for dormant subsidiaries.

Geographical Information

The Group operates in three principal geographical areas - Malaysia (country of domicile), Australia and New Zealand.

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

	Group	
	30.6.2014	30.6.2013
	RM'000	RM'000
Revenue		
Malaysia	**155,990**	123,711
Australia	**20,946**	19,135
New Zealand	**432**	-
	177,368	142,846
Non-current assets *		
Malaysia	**118,308**	90,845
Australia	**153**	221
New Zealand	**7**	-
	118,468	91,066

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

A11 Capital Commitments

Capital commitments not provided for in the financial statements as of June 30, 2014 were as follows: -

	RM'000
Property, plant and equipment	
- Authorised and contracted for	4,579
- Authorised but not contracted for	3,216
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A12 Subsequent events

There were no material events subsequent to June 30, 2014 and up to the date of the issuance of this quarterly report that have not been reflected in this quarterly report.

A13 Changes in the Composition of the Group

On March 28, 2014, the Company incorporated a wholly-owned subsidiary in New Zealand, namely Daibochi New Zealand Limited with a paid up capital of New Zealand Dollar ("NZD") 1 comprising 1 ordinary share of NZD1.00 each.

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 June 30, 2014.

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

B1 Review of Performance

The Group's performance is primarily derived from the packaging segment as the property segment is being phased out. Thus, the review of the results will be focussed on the packaging segment.

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		
	2Q14 RM'000	**2Q13 RM'000**	**% Change**	**2Q14 RM'000**	**2Q13 RM'000**	**% Change**	**2Q14 RM'000**	**2Q13 RM'000**	**% Change**
Revenue	**86,435**	69,214	+24.9	**540**	246	+119.5	**86,975**	69,460	**+25.2**
PBT	**8,161**	7,963	+2.5	**191**	108	+76.9	**8,352**	8,071	**+3.5**

Compared to the corresponding quarter last year, the packaging segment recorded 25% and 4% growth in revenue and in PBT respectively. This jump in top line was due to higher sales from existing customers as well as export contributions from new MNC customers in the F&B sector since the quarter ended September 2013. The slower growth in PBT was due to rising raw material prices and higher operating costs including wages and electricity tariffs.

The Group's half-yearly performance is as tabled below:

	Packaging			Property			Total		
	1H14 RM'000	**1H13 RM'000**	**% Change**	**1H14 RM'000**	**1H13 RM'000**	**% Change**	**1H14 RM'000**	**1H13 RM'000**	**% Change**
Revenue	176,286	140,854	+25.1	1,082	1,992	-45.7	**177,368**	**142,846**	**+24.2**
PBT	16,936	17,141	-1.2	306	432	-29.2	**17,242**	**17,573**	**-1.9**

The Group's revenue for the six months ended June 30, 2014 increased by 24% as compared to last year's corresponding period. However, Group PBT noted a marginal reduction of 2% to RM17.24 million as compared to RM17.57 million previously.

The **packaging segment** recorded revenue of RM176.29 million for the six months ended June 30, 2014 as compared to RM140.85 million for the corresponding period in the previous year, representing an increase of 25% in revenue. The growth in sales was from existing customers as well as export contributions from new MNC customers in the F&B sector. The revenue from the new customers materialised in the quarter ended September 2013.

There was a decline in PBT margin mainly due to the impact of higher raw material prices since the second half of 2013, particularly polyethylene and polypropylene resins and films. The effects of the electricity tariff hike in early 2014 and increased operating expenses due to higher wages also contributed towards the slight decline in PBT for the six months ended June 30, 2014.

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

The Group's current quarter performance as compared to that of the preceding quarter is as tabled below:

	Packaging			Property			Total		
	2Q14 RM'000	**1Q14 RM'000**	**% Change**	**2Q14 RM'000**	**1Q14 RM'000**	**% Change**	**2Q14 RM'000**	**1Q14 RM'000**	**% Change**
Revenue	86,435	89,851	-3.8	540	542	-0.4	**86,975**	90,393	**-3.8**
PBT	8,161	8,775	-7.0	191	115	+66.1	**8,352**	8,890	**-6.1**

In comparison with the preceding quarter, the **packaging segment** revenue in the current quarter reduced by 4%. The lower revenue was primarily attributed to the decline in export revenue, particularly from an MNC customer in South East Asia. The reduction in turnover resulted in lower PBT registered for the quarter under review. Furthermore, in the current quarter there were additional expenses incurred as the new plant commenced operations. All these factors have resulted in a slight decline in PBT in the current quarter under review.

B3 Prospects

Prices of certain major raw materials have been on the uptrend since the second quarter of 2013, Although the Company has a cost pass through mechanism for most of its customers, the continued uptrend in the prices of raw materials could result in some margin squeeze given the time lag in pricing mechanism.

In 2014, the Group is optimistic of the strong growth in revenue from new business opportunities with several MNC customers. We are currently at various stages of qualification and Daibochi is hopeful of securing a major portion of these businesses. By the last quarter of the year, export revenue from one of the business development activities is anticipated to materialise.

It is our Company's strategy to enhance business growth by focusing on the commercialisation of our innovative new products. We have received positive customer feedback on these product trials thus far. It is anticipated that the eventual commercialization of these new innovations will help to mitigate the rising costs, and at the same time differentiate Daibochi as a leading and innovative flexible packaging player in the region.

The Board is cautious of the adverse impact from any further increases in prices of major raw materials. However, the Board is optimistic of achieving another record year in turnover for 2014.

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	
	30.6.2014	30.6.2013	**30.6.2014**	30.6.2013
	RM'000	RM'000	**RM'000**	RM'000
Interest income	**(23)**	(26)	**(44)**	(58)
Other operating income	**(662)**	(545)	**(1,147)**	(1,110)
Gain on disposal of property, plant and equipment	**(15)**	(61)	**(15)**	(77)
Interest expense	**465**	235	**888**	449
Depreciation of property, plant and equipment	**2,802**	2,366	**5,295**	4,707
Impairment loss on trade receivables	**2**	-	**2**	-
Inventories write-down/(Reversal of inventories write down) -net	**355**	(147)	**325**	4
Foreign exchange loss/(gain)	**10**	661	**(486)**	530
Foreign exchange gain on derivatives	**(363)**	(277)	**(212)**	(258)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

B6 Income Tax Expense

	3 months ended		6 months ended	
	30.6.2014	30.6.2013	**30.6.2014**	30.6.2013
	RM'000	RM'000	**RM'000**	RM'000
Current:				
- Malaysian Tax	**1,426**	1,672	**2,867**	3,476
- Foreign Tax	**117**	18	**258**	191
- Under provision in prior year	**1**	2	**1**	2
	1,544	1,692	**3,126**	3,669
Deferred tax:				
- Current	**592**	364	**1,296**	777
	2,136	2,056	**4,422**	4,446

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 June 30, 2014 were as follows:-

	Current RM'000	**Non-Current RM'000**
Unsecured - Ringgit Malaysia	32,985	13,185
Unsecured - United States Dollar	15,705	-
Secured - Ringgit Malaysia	261	99
	48,951	13,284

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 June 30, 2014, the Group has the following outstanding derivatives:-

	Principal or Notional Amount RM'000	**Fair Value RM'000**	**Net Loss RM'000**
Foreign currency forward contracts:-			
Less than 1 year	8,494	8,504	10

There is no change to the Group's financial risk management policies in managing these derivatives, its related accounting policies and the market risk associated with these derivatives since the last financial year.

B10 Material litigation

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

B11 Dividends

The Board is pleased to declare a second interim single tier dividend of 3.50 sen for the financial year ending December 31, 2014 and the said dividend will be paid on September 11, 2014 (2013: 3.00 sen tax exempt) to shareholders whose names appear on the Company's Record of Depositors on August 18, 2014.

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		6 Months ended	
	30.6.2014	30.6.2013	**30.6.2014**	30.6.2013
Profit attributable to owners of the Company (RM'000)	**6,216**	6,015	**12,820**	13,127
Weighted average number of ordinary shares in issue ('000):				
Issued ordinary shares as of January 1	**113,853**	113,853	**113,853**	113,853
Effect of treasury shares held	**(70)**	(98)	**(78)**	(268)
Weighted average number of ordinary shares as of June 30	**113,783**	113,755	**113,775**	113,585
Basic earnings per share (sen)	**5.46**	5.29	**11.26**	11.56

Diluted earnings per ordinary share are not presented as there are no dilutive potential ordinary shares outstanding during the financial periods.

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:

	30.6.2014 RM'000	31.12.2013 RM'000
Total retained earnings of the Group:-		
- Realised	**63,066**	57,709
- Unrealised	**(10,032)**	(8,913)
	53,034	48,796
Total share of retained earnings from an associate:-		
- Realised	**1,342**	1,184
- Unrealised	**(9)**	4
	54,367	49,984
Less: Consolidation adjustments	**(4,403)**	(4,306)
Total Group retained earnings	**49,964**	45,678

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka

Dated: July 23, 2014
c.c. Securities Commission