

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, 2014. 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, 2014.

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, 2014 except for the adoption of the following:

Amendments to FRSs		Effective date
Amendment to FRS 3	Business Combinations (Annual Improvements to FRSs 2010-2012 Cycle and 2011-2013 Cycle)	July 1, 2014
Amendment to FRS 8	Operating Segments (Annual Improvements to FRSs 2010-2012 Cycle)	July 1, 2014
Amendment to FRS 13	Fair Value Measurement (Annual Improvements to FRSs 2010-2012 Cycle and 2011-2013 Cycle)	July 1, 2014
Amendment to FRS 116	Property, Plant and Equipment (Annual Improvements to FRSs 2010-2012 Cycle)	July 1, 2014
Amendments to FRS 119	Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to FRS 124	Related Party Disclosures (Annual Improvements to FRSs 2010-2012 Cycle)	July 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.

On September 2, 2014, with the issuance of MFRS 15 Revenue from Contracts with Customers and Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141), the MASB announced that Transitioning Entities are required to apply the MFRS Framework for annual periods beginning on or after 1 January 2017.

An associate of the Group falls within the scope of definition of Transitioning Entities and has 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, 2017.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

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 436,800 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM1,890,960 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 RM4.33. 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 417,000 treasury shares valued at RM4.37 for a total net consideration of RM1,820,233 in the open market, resulting in a surplus of RM15,529 which has been credited to the share premium account.

A7 Dividend Paid

	6 months ended	
	30.6.2015	30.6.2014
	RM'000	RM'000
Fourth interim single tier dividend paid for the financial year 2014: 3.50 sen per ordinary share paid on March 27, 2015. (2014: 4.00 sen single tier dividend per ordinary share for the financial year 2013 paid on March 28, 2014).	3,978	4,552
First interim single tier dividend paid for the financial year 2015: 3.50 sen per ordinary share paid on June 19, 2015. (2014: 3.50 sen single tier dividend per ordinary share for the financial year 2014 paid on June 26, 2014).	3,970	3,982
	=====	=====

A8 Related party transactions

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

A9 Contingent liabilities

There were no contingent liabilities as at the date of this quarterly report.

A10 Operating segments

No segment information has been prepared as the Group is primarily engaged in manufacturing and marketing of flexible packaging materials.

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 for the six months ended are as follows:

	Group	
	30.6.2015	30.6.2014
	RM'000	RM'000
Revenue		
Malaysia	152,695	155,990
Australia	21,486	20,946
New Zealand	1,649	432
	175,830	177,368
Non-current assets *		
Malaysia	125,200	118,308
Australia	117	153
New Zealand	4	7
	125,321	118,468

* 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, 2015 were as follows: -

	RM'000
Property, plant and equipment	
- Authorised and contracted for	6,375
	=====

A12 Subsequent events

There were no material events subsequent to June 30, 2015 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

The Company's wholly owned subsidiary, Daibochi Technology Sdn Bhd ("DTSB") had on November 7, 2014 filed an application for striking off from the companies registers with the Companies Commission of Malaysia ("CCM").

DTSB has been struck off and dissolved following the publication of the notice of striking off pursuant to Section 308 (4) of the Companies Act 1965 in the Gazette. The notice of strike off was issued by CCM on June 29, 2015.

The strike off and dissolution will not have any material effect on the Group's net assets and earnings for the financial year ending December 31, 2015.

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, 2015.

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

B1 Review of Performance

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

Description	2Q15 RM'000	2Q14 RM'000	% Change	1H15 RM'000	1H14 RM'000	% Change
Revenue	89,673	86,975	+3.1	175,830	177,368	-0.9
Profit Before Tax ("PBT")	9,543	8,352	+14.3	17,692	17,242	+2.6

For the three months ended June 30, 2015, the Group recorded revenue of RM89.67 million, a 3.1% increase from the corresponding period in the previous year. The increase in revenue in the current quarter was mainly attributable to the increase in export sales.

For the six months ended June 30, 2015, the Group recorded revenue of RM175.83 million as compared to RM177.37 million for the corresponding period in the previous year, a marginal reduction of 0.9% in revenue. There were no material factors affecting the revenue for the respective periods under review.

PBT in the current quarter rose by 14.3% to RM9.54 million from RM8.35 million in the corresponding period in the previous year. The increase in PBT was mainly attributable to the improved margin on higher export sales due to the weaker Malaysian Ringgit as well as favourable product mix.

There was a marginal increase of RM450,000 in PBT for six months under review representing an increase of 2.6%.

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

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:

Description	2Q15 RM'000	1Q15 RM'000	% Change
Revenue	89,673	86,157	+4.1
Profit Before Tax ("PBT")	9,543	8,149	+17.1

For the three months under review, the Group's turnover of RM89.67million represented an increase of 4.1% as compared to the turnover of the preceding quarter of RM86.16 million. Despite a 5% reduction in local sales, the higher revenue achieved was primarily attributed to the increase in sales volume, particularly in the export sector, which recorded a 16.2% increase in export value as compared to preceding quarter.

The Group recorded PBT of RM9.54 million as compared to RM8.15 million in the preceding quarter, representing an increase of 17.1%. The increased turnover, and positive impact of the weaker Malaysian Ringgit on export sales contributed to the improved PBT. This has resulted in a better profit margin of 10.6% recorded in the current quarter as compared to 9.5% in the previous quarter. There were no major changes in the overall prices of raw materials in the quarter under review as compared to the preceding quarter.

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

B3 Prospects

We are cognizant of ongoing uncertainties in the global economy. Continuing fluctuations in crude oil prices may result in unpredictability in the pricing of key raw materials we procure. We are also monitoring the potential impact of the ongoing volatility of the MYR.

Despite these, we continue to focus on commercializing ongoing product innovations that would contribute towards positive growth in financial performance in the long term. We also continue to work towards securing new opportunities from our MNC clientele, mainly for exports to Australia, New Zealand, and the ASEAN region.

Additionally, we secured a new export business in the second quarter of 2015, which is expected to contribute towards better revenue performance in the current financial year. Furthermore, we look forward to the successful commercialisation of one of our innovative packaging solutions in the third quarter of 2015.

On a whole, given these positive developments, we remain confident of achieving better financial performance in both turnover and earnings in the current financial year.

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	
	30.6.2015 RM'000	30.6.2014 RM'000	30.6.2015 RM'000	30.6.2014 RM'000
Interest income	(8)	(23)	(27)	(44)
Other operating income	(449)	(662)	(1,025)	(1,147)
Loss/(gain) on disposal of property, plant and equipment	6	(15)	6	(15)
Interest expense	513	465	1,023	888
Depreciation of property, plant and equipment	2,905	2,802	5,824	5,295
Impairment loss on trade receivables	-	2	-	2
Inventories write-down	600	355	704	325
Foreign exchange (gain)/loss	(14)	10	(386)	(486)
Foreign exchange gain on derivatives	(354)	(363)	(380)	(212)

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	
	30.6.2015 RM'000	30.6.2014 RM'000	30.6.2015 RM'000	30.6.2014 RM'000
Current:				
- Malaysian Tax	2,325	1,426	4,250	2,867
- Foreign Tax	43	117	66	258
- Under provision in prior year	-	1	-	1
	<u>2,368</u>	<u>1,544</u>	<u>4,316</u>	<u>3,126</u>
Deferred tax:				
- Current	(14)	592	-	1,296
	<u>2,354</u>	<u>2,136</u>	<u>4,316</u>	<u>4,422</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 June 30, 2015 were as follows:-

	Current RM'000	Non-Current RM'000
Unsecured - Ringgit Malaysia	34,750	8,622
Unsecured - United States Dollar	17,870	-
Secured - Ringgit Malaysia	685	2,615
	<u>53,305</u>	<u>11,237</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 June 30, 2015, the Group has the following outstanding derivatives:-

	Principal or Notional Amount RM'000	Fair Value RM'000	Net Gain RM'000
Foreign currency forward contracts:-			
Less than 1 year	801	707	<u>94</u>

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 4.0 sen for the financial year ending December 31, 2015 and the said dividend will be paid on September 29, 2015 (2014: 3.50 sen single tier dividend) to shareholders whose names appear on the Company's Record of Depositors on September 7, 2015.

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	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
Profit attributable to owners of the Company (RM'000)	7,189	6,216	13,376	12,820
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	(369)	(70)	(341)	(78)
Weighted average number of ordinary shares as of June 30	113,484	113,783	113,512	113,775
Basic earnings per share (sen)	6.33	5.46	11.78	11.26

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:

	30.6.2015	31.12.2014
	RM'000	RM'000
Total retained earnings of the Group:-		
- Realised	72,599	68,654
- Unrealised	(10,734)	(10,668)
	61,865	57,986
Total share of retained earnings from an associate:-		
- Realised	1,448	135
- Unrealised	(15)	(15)
	63,298	58,106
Less: Consolidation adjustments	(3,803)	(4,039)
Total Group retained earnings	59,495	54,067

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka

Dated: Aug 12, 2015
c.c. Securities Commission