

DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD (12994 - W)
UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED
MARCH 31, 2016

The Board of Directors is pleased to submit its quarterly report on the consolidated results of the Group for the first quarter ended March 31, 2016. The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 Months ended		3 Months ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	89,699	86,157	89,699	86,157
Operating profit	8,747	7,795	8,747	7,795
Finance costs	(608)	(510)	(608)	(510)
Share of results of equity-accounted associate	(66)	864	(66)	864
Profit before tax	8,073	8,149	8,073	8,149
Income tax expense	(1,565)	(1,962)	(1,565)	(1,962)
Profit for the period	6,508	6,187	6,508	6,187
Other comprehensive income for the period, net of income tax				
Item that will be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(273)	(26)	(273)	(26)
Total comprehensive income for the period	6,235	6,161	6,235	6,161
Earnings per ordinary share attributable to owners of the Company				
- Basic (sen)	2.38	2.27	2.38	2.27

The earnings per ordinary share for the quarter ended March 31, 2015 had been adjusted to reflect the share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each and bonus issue of one (1) for every five (5) split shares held by the entitled shareholders, which were completed on February 22, 2016.

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Report for the financial year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As Of 31.03.2016 RM'000	Audited As Of 31.12.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	132,847	133,669
Investment in an associate	22,125	22,191
Deferred tax assets	108	114
Total non-current assets	155,080	155,974
Current assets		
Inventories	75,270	65,116
Trade and other receivables	57,825	54,848
Tax recoverable	60	154
Derivative financial assets	1,282	48
Short-term deposits, cash and bank balances	16,317	18,988
Total current assets	150,754	139,154
Total assets	305,834	295,128
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	136,623	113,853
Share premium	2,900	3,013
Translation reserve	15	288
Retained earnings	44,506	64,320
Total equity	184,044	181,474
Non-current liabilities		
Trade and other payables	364	364
Borrowings		
- interest bearing	10,627	11,961
Deferred tax liabilities	11,940	11,441
Total non-current liabilities	22,931	23,766
Current liabilities		
Trade and other payables	56,105	54,529
Derivative financial liabilities	30	341
Borrowings		
- others (interest bearing)	36,652	31,960
Tax payable	2,520	3,058
Dividends payable	3,552	-
Total current liabilities	98,859	89,888
Total liabilities	121,790	113,654
Total equity and liabilities	305,834	295,128

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the financial year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Attributable to Owners of The Company</u>					Total Equity RM'000
	Issued Capital RM'000	Treasury Shares RM'000	Non-Distributable Reserves -		Distributable Reserve -	
			Share Premium RM'000	Translation Reserve RM'000	Retained Earnings RM'000	
Balance as of January 1, 2016	113,853	-	3,013	288	64,320	181,474
Total comprehensive income for the financial period	-	-	-	(273)	6,508	6,235
Transactions with owners :						
Dividends to owners of the Company	-	-	-	-	(3,552)	(3,552)
Bonus shares	22,770	-	-	-	(22,770)	-
Share issuance expenses	-	-	(113)	-	-	(113)
Total transactions with owners	22,770	-	(113)	-	(26,322)	(3,665)
Balance as of March 31, 2016	136,623	-	2,900	15	44,506	184,044
Balance as of January 1, 2015	113,853	(2,196)	2,941	(341)	54,067	168,324
Total comprehensive income for the financial period	-	-	-	(26)	6,187	6,161
Transactions with owners :						
Dividends to owners of the Company	-	-	-	-	(3,978)	(3,978)
Share buy-back	-	(457)	-	-	-	(457)
Disposal of treasury shares	-	1,446	19	-	-	1,465
Total transactions with owners	-	989	19	-	(3,978)	(2,970)
Balance as of March 31, 2015	113,853	(1,207)	2,960	(367)	56,276	171,515

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the financial year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 3 Months ended 31.03.2016 RM'000	Unaudited 3 Months ended 31.03.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	89,093	90,825
Cash paid to suppliers, employees and other payables	(90,447)	(88,384)
Cash (used in)/generated from operations	(1,354)	2,441
Interest received	10	18
Interest paid	(368)	(277)
Tax paid	(1,516)	(746)
Net (Used In)/Cash From Operating Activities	(3,228)	1,436
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	26	1
Purchase of property, plant and equipment, net of finance leases drawdown	(2,310)	(3,235)
Proceeds from disposal of property, plant and equipment	17	-
Net Cash Used In Investing Activities	(2,267)	(3,234)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share buy-back	-	(457)
Proceeds from disposal of treasury shares	-	1,465
Share issuance expenses	(113)	-
Repayment of term loans	(2,252)	(2,678)
Dividends paid to owners of the Company	-	(3,978)
Interest paid	(240)	(233)
Proceeds from short-term borrowings (net)	6,264	11,590
Repayment of finance leases	(653)	(72)
Net Cash From Financing Activities	3,006	5,637
Net (decrease)/increase in cash and cash equivalents	(2,489)	3,839
Cash and cash equivalents at beginning of financial year	18,988	6,514
Effect of exchange differences	(182)	(10)
Cash and cash equivalents at end of financial period *	16,317	10,343
* Cash and cash equivalents at end of financial period consist of:-		
Cash and bank balances	16,317	11,557
Bank overdrafts	-	(1,214)
	16,317	10,343

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the financial year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.)

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, 2015. 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, 2015.

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, 2015 except for the adoption of the following:

Amendments to FRSs		Effective date
Amendments to FRS 7	Financial Instruments: Disclosures (Annual Improvements to FRSs 2012-2014 Cycle)	January 1, 2016
Amendments to FRS 10, FRS 12 & FRS 128	Applying the Consolidation Exception	January 1, 2016
Amendments to FRS 101	Disclosure Initiative	January 1, 2016
Amendments to FRS 116 & FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016
Amendment to FRS 119	Employee Benefits (Annual Improvements to FRSs 2012-2014 Cycle)	January 1, 2016
Amendments to FRS 127	Equity Method in Separate Financial Statements	January 1, 2016
Amendment to FRS 134	Interim Financial Reporting (Annual Improvements to FRSs 2012-2014 Cycle)	January 1, 2016

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 ("TE") will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by TE will be mandatory for annual financial periods beginning on or after January 1, 2013. On July 4, 2012, the MASB has decided to allow TE 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 TE are required to apply the MFRS Framework for annual periods beginning on or after 1 January 2017. On October 28, 2015, the MASB notified that the effective date of MFRS 15 is deferred to annual periods beginning on or after January 1, 2018. Accordingly, the effective date of application of MFRS Framework of the TE is also deferred to annual periods beginning on or after January 1, 2018.

An associate of the Group falls within the scope of definition of TE 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, 2018.

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

Save as disclosed below, there was no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter.

A bonus issue of 45,540,864 new split shares of RM0.50 each credited as fully paid-up capital on the basis of one (1) bonus share for every five (5) split shares of RM0.50 each were allotted on February 19, 2016.

A7 Dividend Paid

There was no dividend paid during the financial quarter ended March 31, 2016.

A8 Related party transactions

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

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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 (“ANZ”).

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

	Group	
	31.03.2016	31.03.2015
	RM’000	RM’000
Revenue		
Malaysia	77,343	76,377
Australia	11,547	8,911
New Zealand	809	869
	<u>89,699</u>	<u>86,157</u>

	Group	
	31.03.2016	31.03.2015
	RM’000	RM’000
Non-current assets *		
Malaysia	132,731	123,717
Australia	115	122
New Zealand	1	5
	<u>132,847</u>	<u>123,844</u>

* 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 March 31, 2016 were as follows: -

	RM’000
Property, plant and equipment	
- Authorised and contracted for	5,052
- Authorised but not contracted for	8,853
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A12 Subsequent events

There were no material events subsequent to March 31, 2016 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

There were no 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 March 31, 2016.

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	1Q16 RM'000	1Q15 RM'000	% Change
Revenue	89,699	86,157	+4.1
PBT	8,073	8,149	-0.9

For the three months ended March 31, 2016, the Group recorded revenue of RM89.70 million as compared to RM86.16 million for the corresponding period in the previous year, representing an increase of 4.1%. The higher turnover was mainly attributable to increase in export sales, particularly more orders from a Thailand customer in line with its marketing campaign.

For the three months ended March 31, 2016, the Group recorded PBT of RM8.07 million as compared to RM8.15 million for the corresponding period in the previous year, representing a marginal reduction of 0.9%. There was no significant change in PBT and PBT margin for the quarter under review.

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:

Description	1Q16 RM'000	4Q15 RM'000	% Change
Revenue	89,699	83,113	+7.9
PBT	8,073	8,900	-9.3

For the three months under review, the Group's turnover of RM89.70 million represented an increase of 7.9% as compared to the turnover of the preceding quarter of RM83.11 million. The increase in sales was mainly due to more orders from a Thailand customer in line with its marketing campaign, as well as from local customers. In the quarter under review, our local sales rebounded by 12% compared to three quarters of decline post GST in April 2015.

Despite the higher turnover, the Group recorded PBT of RM8.07 million compared to RM8.90 million in the preceding quarter, a decline of 9.3%. The decrease in PBT was mainly attributable to a reduction in higher margin sales to ANZ, lesser value added preformed bags orders and change in sales mix.

The reduction in PBT was also attributable to higher direct operating costs in the quarter under review. The higher operating cost was mainly due to the rise in labour cost following the new minimum wage policy in Malaysia and revision in minimum wage rate, implemented by the Company with effect from January 1, 2016. The higher electricity charges and packing cost as a result of increase in production volume have also contributed to the rise in operating costs.

B3 Prospects

The Group remains steadfast in our strategy to constantly explore opportunities to expand export sales and introduce innovative products to drive our long term growth. In this regard, the Group is on track to commence delivery of our new export contracts to the ANZ market, from both second quarter and third quarter of 2016 onwards.

In line with our ongoing long term expansion plans, the Group has commenced the second phase of expansion of Daibochi Plastic Plant 2 with capital expenditure of approximately RM13 million, which includes new machinery and other works. The Group is also expecting the arrival of a new film making machine in the third quarter of 2016.

The Government's recent announcement to freeze recruitment of foreign workers and higher levies has created anxiety and uncertainties with our foreign labour force. In addition, the Group is also experiencing a shortage of local talent and the challenges in retaining them. To this end, the Group will continue to enhance our recruitment and talent retention programmes, including employee motivation and engagement.

Moving forward, the Group will continue to improve operational efficiency in order to effectively weather ongoing challenges, as well as strengthen our business performance in the long term.

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	
	31.03.2016	31.03.2015
	RM'000	RM'000
Interest income	(36)	(19)
Other operating income	(477)	(576)
Gain on disposal of property, plant and equipment	(17)	-
Interest expense	608	510
Depreciation of property, plant and equipment	3,126	2,919
Inventories write-down - net	736	340
Foreign exchange loss/(gain)	106	(372)
Foreign exchange gain on derivatives	(1,476)	(26)

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

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B6 Income Tax Expense

	3 months ended	
	31.03.2016 RM'000	31.03.2015 RM'000
Current:		
- Malaysian Tax	1,021	1,925
- Foreign Tax	45	23
	<u>1,066</u>	<u>1,948</u>
Deferred tax:		
- Current	499	14
	<u>1,565</u>	<u>1,962</u>

The effective tax rate for the financial quarter ended March 31, 2016 was lower than the statutory tax rate mainly due to availability of tax incentives.

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, 2016 were as follows:-

	Current RM'000	Non-Current RM'000
Unsecured - Ringgit Malaysia	20,817	4,742
Unsecured - United States Dollar	13,211	-
Secured - Ringgit Malaysia	2,624	5,885
	<u>36,652</u>	<u>10,627</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, 2016, 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	29,677	28,425	<u>1,252</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.

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B11 Dividends

The Board is pleased to declare a first interim single tier dividend of 1.45 sen for the financial year ending December 31, 2016 and the said dividend will be paid on June 10, 2016 to shareholders whose names appear on the Company's Record of Depositors on May 19, 2016. The first interim single tier dividend of 1.46 sen for the previous corresponding period had been adjusted to take into account the issuance of 1 to 2 share split and 1 for 5 bonus issue of split shares.

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	
	31.03.2016	31.03.2015
		(Restated)
Profit attributable to owners of the Company (RM'000)	6,508	6,187
Weighted average number of ordinary shares in issue ('000):		
Issued ordinary shares as of January 1	273,246	273,246
Effect of treasury shares held	-	(625)
Weighted average number of ordinary shares as of March 31	273,246	272,621
Basic earnings per share (sen)	2.38	2.27

The earnings per ordinary share for the financial quarter ended March 31, 2015 had been adjusted to reflect the share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each and bonus issue of one (1) for every five (5) split shares held by the entitled shareholders, which were completed on February 22, 2016.

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

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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:

	31.03.2016	31.12.2015
	RM'000	RM'000
Total retained earnings of the Group:-		
- Realised	59,464	79,771
- Unrealised	(10,537)	(11,773)
	48,927	67,998
Total share of retained earnings from an associate:-		
- Realised	(434)	(368)
- Unrealised	(9)	(9)
	48,484	67,621
Less: Consolidation adjustments	(3,978)	(3,301)
Total Group retained earnings	44,506	64,320

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka

Dated: May 4, 2016
c.c. Securities Commission