

DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD (12994 - W)
UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED
JUNE 30, 2016

The Board of Directors is pleased to submit its quarterly report on the consolidated results of the Group for the second quarter ended June 30, 2016. The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 Months ended		6 Months ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	97,033	89,673	186,732	175,830
Operating profit	8,186	9,607	16,933	17,402
Finance costs	(707)	(513)	(1,315)	(1,023)
Share of results of equity-accounted associate	(51)	449	(117)	1,313
Profit before tax	7,428	9,543	15,501	17,692
Income tax expense	(1,352)	(2,354)	(2,917)	(4,316)
Profit for the period	6,076	7,189	12,584	13,376
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	(27)	102	(300)	76
Total comprehensive income for the period	6,049	7,291	12,284	13,452
Earnings per ordinary share attributable to owners of the Company				
- Basic (sen)	2.23	2.64	4.61	4.91

The earnings per ordinary share for the quarter/period ended June 30, 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 30.06.2016 RM'000	Audited As Of 31.12.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	138,643	133,669
Investment in an associate	22,074	22,191
Deferred tax assets	110	114
Total non-current assets	160,827	155,974
Current assets		
Inventories	79,106	65,116
Trade and other receivables	54,532	54,848
Tax recoverable	126	154
Derivative financial assets	558	48
Short-term deposits, cash and bank balances	21,317	18,988
Total current assets	155,639	139,154
Total assets	316,466	295,128
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	136,623	113,853
Share premium	2,896	3,013
Treasury shares	(2,055)	-
Translation reserve	(12)	288
Retained earnings	46,631	64,320
Total equity	184,083	181,474
Non-current liabilities		
Trade and other payables	364	364
Borrowings		
- interest bearing	13,979	11,961
Deferred tax liabilities	12,141	11,441
Total non-current liabilities	26,484	23,766
Current liabilities		
Trade and other payables	56,466	54,529
Derivative financial liabilities	-	341
Borrowings		
- others (interest bearing)	46,891	31,960
Tax payable	2,542	3,058
Total current liabilities	105,899	89,888
Total liabilities	132,383	113,654
Total equity and liabilities	316,466	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 - Share Premium RM'000	Translation Reserve RM'000	Distributable Reserve - 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	-	-	-	(300)	12,584	12,284
Transactions with owners :						
Dividends to owners of the Company	-	-	-	-	(7,503)	(7,503)
Bonus shares	22,770	-	-	-	(22,770)	-
Share issuance expenses	-	-	(117)	-	-	(117)
Share buy-back	-	(2,055)	-	-	-	(2,055)
Total transactions with owners	22,770	(2,055)	(117)	-	(30,273)	(9,675)
Balance as of June 30, 2016	136,623	(2,055)	2,896	(12)	46,631	184,083
Balance as of January 1, 2015	113,853	(2,196)	2,941	(341)	54,067	168,324
Total comprehensive income for the financial period	-	-	-	76	13,376	13,452
Transactions with owners :						
Dividends to owners of the Company	-	-	-	-	(7,948)	(7,948)
Share buy-back	-	(2,348)	-	-	-	(2,348)
Disposal of treasury shares	-	3,251	34	-	-	3,285
Total transactions with owners	-	903	34	-	(7,948)	(7,011)
Balance as of June 30, 2015	113,853	(1,293)	2,975	(265)	59,495	174,765

(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 6 Months ended 30.06.2016 RM'000	Unaudited 6 Months ended 30.06.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	190,615	177,354
Cash paid to suppliers, employees and other payables	<u>(180,198)</u>	<u>(169,499)</u>
Cash generated from operations	10,417	7,855
Interest received	21	22
Interest paid	(872)	(566)
Tax paid	<u>(2,712)</u>	<u>(1,788)</u>
Net Cash From Operating Activities	<u>6,854</u>	<u>5,523</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	42	5
Purchase of property, plant and equipment, net of finance leases drawdown	(11,275)	(4,663)
Proceeds from disposal of property, plant and equipment	<u>79</u>	<u>#</u>
Net Cash Used In Investing Activities	<u>(11,154)</u>	<u>(4,658)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share buy-back	(2,055)	(2,348)
Proceeds from disposal of treasury shares	-	3,285
Share issuance expenses	(117)	-
Drawdown of term loans	5,593	-
Repayment of term loans	(4,472)	(4,855)
Dividends paid to owners of the Company	(7,503)	(7,948)
Interest paid	(443)	(457)
Proceeds from short-term borrowings (net)	17,134	3,713
Repayment of finance leases	<u>(1,306)</u>	<u>(179)</u>
Net Cash From/(Used In) Financing Activities	<u>6,831</u>	<u>(8,789)</u>
Net increase/(decrease) in cash and cash equivalents	2,531	(7,924)
Cash and cash equivalents at beginning of financial year	18,988	6,514
Effect of exchange differences	(202)	28
Cash and cash equivalents at end of financial period *	<u>21,317</u>	<u>(1,382)</u>
* Cash and cash equivalents at end of financial period consist of:-		
Short-term deposits with licensed banks	1,800	-
Cash and bank balances	19,517	2,871
Bank overdrafts	<u>-</u>	<u>(4,253)</u>
	<u>21,317</u>	<u>(1,382)</u>

Denotes RM 200

(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

During the current quarter, the Company repurchased 985,300 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM2,054,696 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 RM2.09. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

A11 Capital Commitments

Capital commitments not provided for in the financial statements as of June 30, 2016 were as follows: -

	RM'000
Property, plant and equipment	
- Authorised and contracted for	4,140
- Authorised but not contracted for	2,971
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A12 Subsequent events

There were no material events subsequent to June 30, 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 of June 30, 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	2Q16 RM'000	2Q15 RM'000	% Change	1H16 RM'000	1H15 RM'000	% Change
Revenue	97,033	89,673	+8.2	186,732	175,830	+6.2
PBT	7,428	9,543	-22.2	15,501	17,692	-12.4

For the three months ended June 30, 2016, the Group recorded 8.2% higher revenue of RM97.03 million compared to RM89.67 million for the corresponding period in the previous year. The revenue growth year-on-year was mainly attributable to a 20% increase in export sales, particularly to the ASEAN region and Australia. Local revenue dipped 5% from the previous year.

Despite the higher revenue, PBT in the current quarter declined 22.2% to RM7.43 million compared to RM9.54 million in the corresponding period in the previous year. The lower PBT was attributable to higher operating costs, particularly due to the effects of the revised wage policy implemented by the Group since January 1, 2016, higher operating expenses such as repairs and maintenance and air freight for a new product launch, product mix and increased wastage. The Group's result for the current quarter was also affected by an associate's performance. The associate incurred a minor loss of RM51,000, compared to a profit of RM449,000 in the corresponding period in the previous year, representing a net change of RM500,000.

For the six months ended June 30, 2016, the Group recorded 6.2% higher revenue of RM186.73 million compared to RM175.83 million for the corresponding period in the previous year. However, PBT for the six months ended June 30, 2016 declined 12.4% to RM15.50 million compared to RM17.69 million in the corresponding period in the previous year. Reasons for the increase in turnover and reduction in PBT are as stated above. The associate incurred a loss of RM117,000 as compared to a profit of RM1.31 million in the corresponding period in the previous year, representing a net change of RM1.43 million.

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	2Q16 RM'000	1Q16 RM'000	% Change
Revenue	97,033	89,699	+8.2
PBT	7,428	8,073	-8.0

For the three months under review, the Group's revenue increased 8.2% to RM97.03 million compared to RM89.70 million in the preceding quarter. The revenue growth was mainly attributable to higher export sales, particularly to the ASEAN region and Australia.

Notwithstanding the higher revenue, the Group recorded 8.0% lower PBT of RM7.43 million compared to RM8.07 million in the preceding quarter. The lower PBT was mainly attributable to lesser foreign currency gain, higher operating expenses incurred on repairs and maintenance and air freight for a new product launch.

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 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 related works. The construction of the building is expected to be completed by the fourth quarter of 2016. A new film making machine which arrived in end June 2016 will be commissioned by end 2016 and would enhance operational capacity.

The shortage of skilled labour remains a challenge for the Group. To this end, we will continue to enhance our recruitment and retention programmes, including employee motivation, engagement, and training. We are also looking to recruit more foreign workers in view of the Government's recent move to resume accepting applications for hiring of foreign labour for several industries, including the manufacturing sector.

Overall, the Group is optimistic of charting record turnover 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	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Interest income	(27)	(8)	(63)	(27)
Other operating income	(476)	(449)	(953)	(1,025)
(Gain)/loss on disposal of property, plant and equipment	(62)	6	(79)	6
Interest expense	707	513	1,315	1,023
Depreciation of property, plant and equipment	3,167	2,905	6,293	5,824
Inventories write-down - net	786	604	1,522	944
Foreign exchange gain	(1,134)	(14)	(1,028)	(386)
Foreign exchange loss/(gain) on derivatives	919	(354)	(557)	(380)

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	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Current:				
- Malaysian Tax	1,151	2,325	2,172	4,250
- Foreign Tax	-	43	45	66
	<u>1,151</u>	<u>2,368</u>	<u>2,217</u>	<u>4,316</u>
Deferred tax:				
- Current	201	(14)	700	-
	<u>1,352</u>	<u>2,354</u>	<u>2,917</u>	<u>4,316</u>

The effective tax rate for the financial quarter ended June 30, 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 June 30, 2016 were as follows:-

	Current RM'000	Non-Current RM'000
Unsecured - Ringgit Malaysia	31,490	8,767
Unsecured - United States Dollar	12,756	-
Secured - Ringgit Malaysia	<u>2,645</u>	<u>5,212</u>
	<u><u>46,891</u></u>	<u><u>13,979</u></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, 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	17,751	17,193	<u>558</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 1.33 sen for the financial year ending December 31, 2016 and the said dividend will be paid on September 22, 2016 to shareholders whose names appear on the Company's Record of Depositors on August 29, 2016. The second interim single tier dividend of 1.66 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		6 months ended	
	30.06.2016	30.06.2015 (Restated)	30.06.2016	30.06.2015 (Restated)
Profit attributable to owners of the Company (RM'000)	6,076	7,189	12,584	13,376
Weighted average number of ordinary shares in issue ('000):				
Issued ordinary shares as of January 1	273,246	273,246	273,246	273,246
Effect of treasury shares held	(538)	(737)	(269)	(681)
Weighted average number of ordinary shares as of June 30	272,708	272,509	272,977	272,565
Basic earnings per share (sen)	2.23	2.64	4.61	4.91

The earnings per ordinary share for the financial quarter/period ended June 30, 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.

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:

	30.06.2016 RM'000	31.12.2015 RM'000
Total retained earnings of the Group:-		
- Realised	63,626	79,771
- Unrealised	(12,128)	(11,773)
	51,498	67,998
Total share of retained earnings from an associate:-		
- Realised	(485)	(368)
- Unrealised	(9)	(9)
	51,004	67,621
Less: Consolidation adjustments	(4,373)	(3,301)
Total Group retained earnings	46,631	64,320

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka

Dated: August 10, 2016
c.c. Securities Commission