

DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD (12994 - W)
UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER
ENDED DECEMBER 31, 2017

The Board of Directors is pleased to submit its quarterly report on the consolidated results of the Group for the fourth quarter ended December 31, 2017. The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 Months ended		12 Months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Revenue	105,661	90,360	388,647	371,158
Operating profit	11,287	7,699	37,604	32,613
Finance costs	(893)	(675)	(3,017)	(2,753)
Share of results of equity-accounted associate	778	244	1,155	90
Profit before tax	11,172	7,268	35,742	29,950
Income tax expense	(2,680)	(1,337)	(8,665)	(5,432)
Profit for the period	8,492	5,931	27,077	24,518
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	(2,701)	234	(3,135)	307
Total comprehensive income for the period	5,791	6,165	23,942	24,825
Profit attributable to:				
Owners of the Company	7,930	5,931	25,958	24,518
Non-controlling interests	562	-	1,119	-
	8,492	5,931	27,077	24,518
Total comprehensive income attributable to:				
Owners of the Company	6,111	6,165	23,893	24,825
Non-controlling interests	(320)	-	49	-
	5,791	6,165	23,942	24,825
Earnings per ordinary share				
attributable to owners of the Company				
- Basic (sen)	2.42	1.81 *	7.92	7.49 *

* For comparative purpose, the Earnings Per Share for the quarter/ period ended December 31, 2016 had been adjusted to reflect the bonus issue of 2 for every 10 ordinary shares held by the entitled shareholders, which was completed on June 28, 2017.

(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, 2016 and the accompanying explanatory notes attached to the interim financial statements.)

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 UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER
 ENDED DECEMBER 31, 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As Of 31.12.2017 RM'000	Audited As Of 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	138,176	141,218
Investment in an associate	19,364	20,245
Intangible assets	35,137	-
Deferred tax assets	116	119
Total non-current assets	192,793	161,582
Current assets		
Inventories	86,372	72,554
Trade and other receivables	67,840	57,783
Tax recoverable	805	627
Derivative financial assets	6	21
Short-term deposits, cash and bank balances	18,306	15,829
Total current assets	173,329	146,814
Total assets	366,122	308,396
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	164,163	136,623
Treasury shares	(508)	(2,354)
Reserves	37,220	54,902
Equity attributable to owners of the Company	200,875	189,171
Non-controlling interests	21,024	-
Total equity	221,899	189,171
Non-current liabilities		
Trade and other payables	664	508
Borrowings		
- interest bearing	20,128	13,417
Deferred tax liabilities	13,016	12,860
Total non-current liabilities	33,808	26,785
Current liabilities		
Trade and other payables	57,913	51,297
Derivative financial liabilities	-	570
Borrowings		
- bank overdraft (interest bearing)	10	-
- interest bearing	49,736	40,573
Tax payable	2,756	-
Total current liabilities	110,415	92,440
Total liabilities	144,223	119,225
Total equity and liabilities	366,122	308,396

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Report for the financial year ended December 31, 2016 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>						Distributable Reserve Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Issued Capital RM'000	Treasury Shares RM'000	- Non-Distributable Reserves -							
			Share Premium RM'000	Translation Reserve RM'000	Warrants Reserve RM'000	Discount on Shares RM'000				
Balance as of January 1, 2017	136,623	(2,354)	2,950	595	-	-	51,357	189,171	-	189,171
Total comprehensive income for the financial period	-	-	-	(2,065)	-	-	25,958	23,893	49	23,942
Transactions with owners :										
Dividends to owners of the Company	-	-	-	-	-	-	(14,250)	(14,250)	-	(14,250)
Bonus shares	27,325	-	(2,950)	-	-	-	(24,375)	-	-	-
Warrants issue	-	-	-	-	9,837	(9,837)	-	-	-	-
Share buy-back	-	(4,490)	-	-	-	-	-	(4,490)	-	(4,490)
Disposal of treasury shares	215	6,336	-	-	-	-	-	6,551	-	6,551
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	20,975	20,975
Total transactions with owners	27,540	1,846	(2,950)	-	9,837	(9,837)	(38,625)	(12,189)	20,975	8,786
Balance as of December 31, 2017	164,163	(508)	-	(1,470)	9,837	(9,837)	38,690	200,875	21,024	221,899
Balance as of January 1, 2016	113,853	-	3,013	288	-	-	64,320	181,474	-	181,474
Total comprehensive income for the financial period	-	-	-	307	-	-	24,518	24,825	-	24,825
Transactions with owners :										
Dividends to owners of the Company	-	-	-	-	-	-	(14,711)	(14,711)	-	(14,711)
Bonus shares	22,770	-	-	-	-	-	(22,770)	-	-	-
Share issuance expenses	-	-	(117)	-	-	-	-	(117)	-	(117)
Share buy-back	-	(3,371)	-	-	-	-	-	(3,371)	-	(3,371)
Disposal of treasury shares	-	1,017	54	-	-	-	-	1,071	-	1,071
Total transactions with owners	22,770	(2,354)	(63)	-	-	-	(37,481)	(17,128)	-	(17,128)
Balance as of December 31, 2016	136,623	(2,354)	2,950	595	-	-	51,357	189,171	-	189,171

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the financial year ended December 31, 2016 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	Audited
	12 Months ended	12 Months ended
	31.12.2017	31.12.2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	397,877	379,050
Cash paid to suppliers, employees and other payables	<u>(361,626)</u>	<u>(347,245)</u>
Cash generated from operations	36,251	31,805
Interest received	144	46
Interest paid	(2,001)	(1,846)
Tax paid	<u>(5,886)</u>	<u>(7,548)</u>
Net Cash From Operating Activities	<u>28,508</u>	<u>22,457</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	27	63
Dividend income from an associate	2,036	2,036
Acquisition of assets through a business combination	(28,063)	-
Purchase of property, plant and equipment, net of finance leases drawdown	(4,438)	(19,536)
Proceeds from disposal of property, plant and equipment	<u>131</u>	<u>292</u>
Net Cash Used In Investing Activities	<u>(30,307)</u>	<u>(17,145)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share buy-back	(4,490)	(3,371)
Proceeds from disposal of treasury shares	6,552	1,071
Issuance of share capital to non-controlling interests of a subsidiary	1,978	-
Share issuance expenses	(207)	(117)
Drawdown of term loans	28,623	8,458
Repayment of term loans	(9,658)	(8,273)
Dividends paid to owners of the Company	(14,250)	(14,711)
Interest paid	(1,016)	(907)
(Repayment of)/Proceeds from short-term borrowings (net)	(257)	11,833
Repayment of finance leases	<u>(2,833)</u>	<u>(2,627)</u>
Net Cash From/(Used In) Financing Activities	<u>4,442</u>	<u>(8,644)</u>
Net increase/(decrease) in cash and cash equivalents	2,643	(3,332)
Cash and cash equivalents at beginning of financial year	15,829	18,988
Effect of exchange differences	(176)	173
Cash and cash equivalents at end of financial period *	<u>18,296</u>	<u>15,829</u>
* Cash and cash equivalents at end of financial period consist of:-		
Cash and bank balances	18,306	15,829
Bank overdrafts	<u>(10)</u>	<u>-</u>
	<u>18,296</u>	<u>15,829</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the financial year ended December 31, 2016 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, 2016. 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, 2016.

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, 2016 except for the adoption of the following:

Amendments to FRSs		Effective date
Amendments to FRS 12	Disclosure of Interests in Other Entities (Annual Improvements to FRSs 2014-2016 Cycle)	January 1, 2017
Amendments to FRS 107	Disclosure Initiative	January 1, 2017
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017

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 adoption of MFRS framework is not expected to have significant impact on the financial statements of the Group.

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 718,400 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM1,600,465 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 RM2.23. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

During the current quarter, the Company had disposed of 975,600 treasury shares valued at RM2.23 for a total net consideration of RM2,180,440 in the open market, resulting in a surplus of RM19,615 which have been credited to the share capital account.

A7 Dividend Paid

	12 months ended	
	31.12.2017	31.12.2016
	RM'000	RM'000
Fourth interim single tier dividend paid for the financial year 2016: 1.32 sen per ordinary share paid on April 10, 2017. (2016: 1.30 sen single tier dividend per ordinary share for the financial year 2015 paid on April 8, 2016).	3,604	3,552
First interim single tier dividend paid for the financial year 2017: 1.32 sen per ordinary share paid on June 22, 2017. (2016: 1.45 sen single tier dividend per ordinary share for the financial year 2016 paid on June 10, 2016).	3,607	3,951
Second interim single tier dividend paid for the financial year 2017: 1.00 sen per ordinary share paid on September 20, 2017. (2016: 1.33 sen single tier dividend per ordinary share for the financial year 2016 paid on September 22, 2016).	3,275	3,616
Third interim single tier dividend paid for the financial year 2017: 1.15 sen per ordinary share paid on December 28, 2017. (2016: 1.32 sen single tier dividend per ordinary share for the financial year 2016 paid on December 22, 2016).	3,764	3,592
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A8 Related party transactions

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

A9 Contingent liabilities

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

A10 Capital Commitments

Capital commitments not provided for in the financial statements as of December 31, 2017 were as follows: -

	RM'000
Property, plant and equipment	
- Authorised and contracted for	5,867
- Authorised but not contracted for	15,518
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A11 Subsequent events

There were no material events subsequent to December 31, 2017 and up to the date of the issuance of this quarterly report that have not been reflected in this quarterly report.

A12 Changes in the Composition of the Group

The Company's wholly-owned subsidiary, Daibochi Flexibles Sdn. Bhd. ("DFlex") incorporated a 60% owned subsidiary in Myanmar with cash subscription of RM31,748,047, namely Daibochi Packaging (Myanmar) Company Limited ("Daibochi Myanmar"), with Myanmar Smart Pack Industrial Company Limited ("MSP") owning 40%.

Approval from the Myanmar Investment Commission for its investment in Myanmar was received on April 28, 2017. A Joint Venture Agreement ("JVA") and an Asset Purchase Agreement ("APA") with MSP were signed on June 16, 2017 to acquire MSP's entire existing business, production assets, as well as workforce. The purchase consideration of USD10,950,510 (equivalent RM47,168,000) consists of:

- Cash consideration of USD6,514,950, and
- USD4,435,560 capitalised pursuant to JVA and APA, applied as subscription price for the allotment and issuance of ordinary shares in the capital of Daibochi Myanmar.

The following summarises the recognised amounts of assets acquired at the acquisition date:

	RM'000
Identifiable assets acquired:	
Property, plant and equipment	6,805
Inventories	3,085
Intangible assets	37,278
	<u>47,168</u>

The fair values of property, plant and equipment, inventories as well as intangible assets have been determined provisionally pending completion of an independent valuation.

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 December 31, 2017.

A13 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 four principal geographical areas – Malaysia (country of domicile), Myanmar, Australia and New Zealand (“ANZ”).

	< ----- Malaysia Plant ----- >			MALAYSIA PLANT	Myanmar	Total	Elimination	Group
REVENUE	Malaysia RM'000	Australia RM'000	New Zealand RM'000					
3 months quarter ended December 31, 2017								
Revenue								
-external	78,218	19,631	975	98,824	6,837	105,661		105,661
-internal	18,012	-	-	18,012	1,638	19,650	(19,650)	-
	96,230	19,631	975	116,836	8,475	125,311		105,661
Profit before tax	9,622	698	31	10,351	1,634	11,985	(1,591)	10,394
Property segment								778
								11,172
3 months quarter ended December 31, 2016								
Revenue								
-external	73,517	16,128	715	90,360	-	90,360		90,360
-internal	17,575	-	-	17,575	-	17,575	(17,575)	-
	91,092	16,128	715	107,935	-	107,935		90,360
Profit before tax	8,702	266	(31)	8,937	-	8,937	(1,913)	7,024
Property segment								244
								7,268

	< ----- Malaysia Plant ----- >			MALAYSIA PLANT RM'000	Myanmar RM'000	Total RM'000	Elimination RM'000	Group RM'000
	Malaysia RM'000	Australia RM'000	New Zealand RM'000					
REVENUE								
12 months quarter ended December 31, 2017								
Revenue								
-external	298,320	72,606	4,430	375,356	13,291	388,647		388,647
-internal	72,944	-	-	72,944	1,638	74,582	(74,582)	-
	<u>371,264</u>	<u>72,606</u>	<u>4,430</u>	<u>448,300</u>	<u>14,929</u>	<u>463,229</u>		<u>388,647</u>
Profit before tax	<u>34,017</u>	<u>1,255</u>	<u>131</u>	<u>35,403</u>	<u>3,480</u>	<u>38,883</u>	<u>(4,296)</u>	<u>34,587</u>
Property segment								<u>1,155</u>
								<u>35,742</u>
12 months quarter ended December 31, 2016								
Revenue								
-external	306,725	61,334	3,099	371,158	-	371,158		371,158
-internal	61,968	-	-	61,968	-	61,968	(61,968)	-
	<u>368,693</u>	<u>61,334</u>	<u>3,099</u>	<u>433,126</u>	<u>-</u>	<u>433,126</u>		<u>371,158</u>
Profit before tax	<u>32,255</u>	<u>539</u>	<u>137</u>	<u>32,931</u>	<u>-</u>	<u>32,931</u>	<u>(3,071)</u>	<u>29,860</u>
Property segment								<u>90</u>
								<u>29,950</u>
NON-CURRENT ASSETS								
As at December 31, 2017								
Non-current assets	<u>129,674</u>	<u>65</u>	<u>-</u>	<u>129,739</u>	<u>42,919</u>	<u>172,658</u>	<u>655</u>	<u>173,313</u>
As at December 31, 2016								
Non-current assets	<u>141,121</u>	<u>100</u>	<u>-</u>	<u>141,221</u>	<u>-</u>	<u>141,221</u>	<u>(3)</u>	<u>141,218</u>

*Non-current assets do not include investment in subsidiary/associated companies and deferred tax assets.

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:

GROUP	4Q 2017 RM '000	4Q 2016 RM '000	Change %
Revenue	105,661	90,360	16.9%
Operating profit	11,287	7,699	46.6%
Profit before tax	11,172	7,268	53.7%
Profit after tax	8,492	5,931	43.2%
Profit attributable to owners of the Company	7,930	5,931	33.7%
MYANMAR PLANT			
Revenue	8,475	-	n/a
Profit before tax	1,634	-	n/a

QUARTER REVIEW

For the three months ended December 31, 2017, the Group recorded 16.9% increase in revenue to RM105.66 million from RM90.36 million in the corresponding quarter in the previous year due to higher domestic and export sales, and new contributions from the Myanmar plant. Exports made up 55.5% of group revenue compared to 53.6% in the previous corresponding quarter.

Group profit before tax (PBT) rose 53.7% to RM11.17 million from RM7.27 million in the previous corresponding quarter attributed to new contributions from Daibochi Myanmar, improved wastage control, enhanced operating efficiency, and better sales mix. These factors offset higher raw material costs in line with stronger global crude oil prices as well as the weaker MYR versus the USD. Excluding share of results of an associate of RM0.78 million, the Group's core PBT jumped 48.0% to RM10.39 million from RM7.02 million previously. Meanwhile, core PBT margin improved to 9.8% compared to 7.8% in the previous corresponding quarter.

Daibochi's Myanmar plant, under Daibochi Packaging (Myanmar) Company Limited, recorded RM8.48 million and RM1.63 million in revenue and PBT respectively. Daibochi Myanmar's PBT margin stood at 19.3% in the quarter under review due to its leaner cost operations.

TWELVE MONTHS REVIEW

GROUP	1Q 2017 RM '000	2Q 2017 RM '000	3Q 2017 RM '000	4Q 2017 RM '000	FY 2017 RM '000	FY 2016 RM '000	Change %
Revenue	94,116	86,836	102,034	105,661	388,647	371,158	4.7%
Operating profit	7,772	7,356	11,189	11,287	37,604	32,613	15.3%
Profit before tax	7,435	6,653	10,482	11,172	35,742	29,950	19.3%
Profit after tax	5,768	5,045	7,772	8,492	27,077	24,518	10.4%
Profit attributable to owners of the Company	5,768	5,045	7,215	7,930	25,958	24,518	5.9%
MYANMAR PLANT ("Daibochi Myanmar")							
Revenue	-	-	6,454	8,475	14,929	-	n/a
Profit before tax	-	-	1,846	1,634	3,480	-	n/a

For the financial year ended December 31, 2017, the Group noted a 4.7% increase in revenue to RM388.65 million from RM371.16 million in the previous financial year mainly due to new contributions from Daibochi Myanmar.

Group PBT jumped 19.3% to RM35.74 million from RM29.95 million in the previous financial year attributed to new contributions from the Myanmar plant, better sales mix, and progress in efforts to reduce wastage and improve operating efficiency. However, growth was partially offset by

higher raw material costs in line with stronger global crude oil prices and a weaker MYR versus the USD. Excluding share of results of an associate of RM1.16 million, core PBT rose 15.8% to RM34.59 million from RM29.86 million in the previous financial year. The Group's core PBT margin stood at 8.9% compared to 8.0% in the previous financial year.

Daibochi Myanmar recorded revenue and PBT of RM14.93 million and RM3.48 million respectively. Daibochi Myanmar recorded PBT margin of 23.3% in the period under review on its lean cost structure.

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:

GROUP	4Q 2017 RM '000	3Q 2017 RM '000	Change %
Revenue	105,661	102,034	3.6%
Operating profit	11,287	11,189	0.9%
Profit before tax	11,172	10,482	6.6%
Profit after tax	8,492	7,772	9.3%
Profit attributable to owners of the Company	7,930	7,215	9.9%
MYANMAR PLANT ("Daibochi Myanmar")			
Revenue	8,475	6,454	31.3%
Profit before tax	1,634	1,846	-11.5%

For the three months ended December 31, 2017, the Group noted 3.6% increase in revenue to RM105.66 million from RM102.03 million in the preceding quarter attributed to higher domestic as well as export sales. Exports made up 55.5% of group revenue compared to 54.7% in the preceding quarter.

Group PBT rose 6.6% to RM11.17 million from RM10.48 million in the preceding quarter. Excluding share of results of an associate of RM0.78 million, core PBT declined marginally by 0.3% to RM10.39 million compared to RM10.42 million in the preceding quarter, mainly due to higher raw material cost, while core PBT margin stood at 9.8% compared to 10.2% in the preceding quarter.

Daibochi Myanmar saw 31.3% higher revenue of RM8.48 million compared to RM6.45 million in the preceding quarter, mainly due to its maiden export shipment amounting to RM1.63 million in December after receiving the approval letter from the Myanmar Investment Commission. PBT decreased to RM1.63 million from RM1.85 million in the preceding quarter in line with higher prices of key raw materials, lower margin on exports sales to cost-sensitive customers, and higher operating costs as a result of expedited delivery of the export orders. Daibochi Myanmar noted PBT margin of 19.3% compared to 28.6% in the preceding quarter.

Daibochi Myanmar had, in December 2017, received notification from the Myanmar Investment Commission on the commencement of its 5-year income tax waiver from 22 November 2017.

B3 Prospects

Daibochi is optimistic on achieving strong growth in the financial year ending 31 December 2018 as both Daibochi Malaysia and Daibochi Myanmar are expected to perform strongly. The Group is expecting several new export contracts to drive Daibochi Malaysia's performance in 2018, comprising contracts to Indonesia as well as the Australia and New Zealand (ANZ) region.

In the first quarter of 2018 (1Q18), Daibochi Malaysia secured a new contract with a multinational customer (MNC) to supply flexible packaging to the ANZ region. The Group's sales, technical and

operations teams collaborated closely with the MNC particularly for its fast-moving consumer goods (FMCG) brand, and target to commence supply by the second quarter ending 30 June 2018. This marks the entry into a new product line for Daibochi Malaysia, thereby strengthening its value proposition to MNCs.

Daibochi Malaysia is also working towards commencement of flexible packaging supply to another two MNCs for their food and beverage and FMCG brands in Indonesia.

Meanwhile, Daibochi Myanmar is expected to deliver stellar growth in 2018, as it is actively pursuing new customers in Myanmar's F&B and FMCG sectors. Additionally, Daibochi Myanmar aims to leverage its low-cost and geographical advantage to secure export contracts from cost-sensitive customers in various Southeast Asian countries.

Daibochi Myanmar will also tap into the Southeast Asia flexible packaging market. With our Myanmar operations securing the ISO 9001:2015 and Hazard Analysis and Critical Control Point food safety management system certifications since October 2017, together with the approval from the Myanmar Investment Commission in December 2017 to export out of the country, Daibochi Myanmar would now seek to enter qualification with MNCs to support their regional expansion programmes.

The Group recognizes Daibochi Myanmar's potential for growth, and will commit management resources to develop its Myanmar operations into a significant contributor to the Group.

Across the Group's operations, Daibochi continues to focus on enhancing efficiency by investing in new machinery, reviewing manufacturing processes for cost savings and wastage reduction opportunities. These ongoing efforts are expected to strengthen the Group's operating efficiency in the long run.

Barring unforeseen circumstances, the Group is confident in setting a higher pace of growth and expanding PBT margins in 2018.

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		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(20)	(28)	(171)	(109)
Other operating income	(577)	(460)	(2,360)	(1,999)
Gain on disposal of property, plant and equipment	(17)	(197)	(84)	(292)
Interest expense	893	675	3,017	2,753
Depreciation of property, plant and equipment	3,521	3,218	13,777	12,657
(Reversal of inventories write-down)/inventories write-down -net	(319)	(1,369)	2,024	1,088
Inventories written off	-	2	-	2
Foreign exchange loss/(gain)	89	(311)	(550)	(2,500)
Foreign exchange (gain)/loss on derivatives	(6)	459	(251)	949

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		12 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Current:				
- Malaysian Tax	1,437	788	7,307	3,762
- Foreign Tax	451	50	1,099	179
- Under provision in prior year	-	-	104	73
	<u>1,888</u>	<u>838</u>	<u>8,510</u>	<u>4,014</u>
Deferred tax:				
- Current	792	499	154	1,413
- Under provision in prior year	-	-	1	5
	<u>2,680</u>	<u>1,337</u>	<u>8,665</u>	<u>5,432</u>

B7 Status of Corporate Proposals

There were no corporate proposals announced as of the date of this quarterly report.

B8 Trade and other receivables

	31.12.2017 RM'000	31.12.2016 RM'000
Trade receivables	60,604	52,536
Other receivables	3,139	4,143
Prepayments	3,812	832
Deposits	285	272
	<u>67,840</u>	<u>57,783</u>

The Group grant credit on various terms. Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognised an allowance for impairment receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Analysis of trade receivables as of the end of the reporting period was:

	31.12.2017 RM'000	31.12.2016 RM'000
Neither past due nor impaired	52,787	45,176
Past due but not impaired:	7,817	7,360
1 month	6,529	5,684
2 months	575	764
3 months	424	677
More than 3 months	289	235
	<u>60,604</u>	<u>52,536</u>

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. None of the terms for the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial period.

B9 Group Borrowings

Details of the Group's borrowings as of December 31, 2017 were as follows:-

	As at 4 th quarter ended 31.12.2017					
	Long term		Short term		Total	
	Foreign Currency '000	RM '000	Foreign Currency '000	RM '000	Foreign Currency '000	RM '000
Secured:						
Finance lease liabilities in Ringgit Malaysia		1,405		2,974		4,379
Unsecured:						
Term loan in Ringgit Malaysia		4,638		4,442		9,080
Term loan in United States Dollar	3,466	14,085	2,250	9,144	5,716	23,229
Bankers' acceptances in Ringgit Malaysia		-		23,894		23,894
Bankers' acceptances in United States Dollar		-	2,284	9,282	2,284	9,282
Bank overdraft in Ringgit Malaysia		-		10		10
		<u>20,128</u>		<u>49,746</u>		<u>69,874</u>

	As at 4 th quarter ended 31.12.2016					
	Long term		Short term		Total	
	Foreign Currency '000	RM '000	Foreign Currency '000	RM '000	Foreign Currency '000	RM '000
Secured:						
Finance lease liabilities in Ringgit Malaysia		4,379		2,834		7,213
Unsecured:						
Term loan in Ringgit Malaysia		9,038		4,307		13,345
Bankers' acceptances in Ringgit Malaysia		-		23,529		23,529
Bankers' acceptances in United States Dollar		-	2,209	9,903	2,209	9,903
		<u>13,417</u>		<u>40,573</u>		<u>53,990</u>

For the twelve months ended December 31, 2017, the Group's borrowings increased to RM69.87 million compared to RM53.99 million in the corresponding period in the previous year. The increase was mainly due to drawn down of the USD6.653 million term loan from a local banker for financing of its investment in a newly incorporated subsidiary, Daibochi Packaging (Myanmar) Company Limited.

B10 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 December 31, 2017, 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	1,460	1,466	<u>6</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.

B11 Material litigation

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

B12 Dividends

The Board is pleased to declare a fourth interim single tier dividend of 1.30 sen for the financial year ended December 31, 2017 and the said dividend will be paid on March 21, 2018 to shareholders whose names appear on the Company's Record of Depositors on March 1, 2018.

B13 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		12 months ended	
	31.12.2017	31.12.2016 (Restated)	31.12.2017	31.12.2016 (Restated)
Profit attributable to owners of the Company (RM'000)	<u>7,930</u>	5,931	<u>25,958</u>	<u>24,518</u>
Weighted average number of ordinary shares in issue ('000):				
Issued ordinary shares as of January 1	327,895	327,895	327,895	327,895
Effect of treasury shares held	(580)	(1,275)	(346)	(607)
Weighted average number of ordinary shares as of December 31	<u>327,315</u>	326,620	<u>327,549</u>	<u>327,288</u>
Basic earnings per share (sen)	<u>2.42</u>	1.81	<u>7.92</u>	<u>7.49</u>

For comparative purpose, the basic earnings per share for the quarter/ period ended December 31, 2016 had been adjusted to reflect the bonus issue of 2 for every 10 ordinary shares held by the entitled shareholders, which was completed on June 28, 2017.

Diluted earnings per ordinary share are not presented as the warrants are anti-dilutive where the average market price of ordinary shares during the period exceeds the exercise price of the warrants.

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka

Dated: February 3, 2018
c.c. Securities Commission