

DAIBOCHI BERHAD (12994 - W)
(formerly known as DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD)
UNAUDITED QUARTERLY REPORT ON THE CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER
ENDED SEPTEMBER 30, 2018

The Board of Directors is pleased to submit its quarterly report on the consolidated results of the Group for the third quarter ended September 30, 2018. The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 Months ended		9 Months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Revenue	109,190	102,034	320,304	282,986
Operating profit	7,353	11,189	23,795	26,317
Finance costs	(1,010)	(766)	(2,804)	(2,124)
Share of results of equity-accounted associate	63	59	231	377
Profit before tax	6,406	10,482	21,222	24,570
Income tax expense	(539)	(2,710)	(3,261)	(5,985)
Profit for the financial period	5,867	7,772	17,961	18,585
Other comprehensive income for the financial period, net of income tax				
Item that will be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	(4,749)	(577)	(7,596)	(434)
Total comprehensive income for the financial period	1,118	7,195	10,365	18,151
Profit attributable to:				
Owners of the Company	5,687	7,215	16,814	18,028
Non-controlling interests	180	557	1,147	557
	5,867	7,772	17,961	18,585
Total comprehensive income attributable to:				
Owners of the Company	2,860	6,826	12,040	17,782
Non-controlling interests	(1,742)	369	(1,675)	369
	1,118	7,195	10,365	18,151
Earnings per ordinary share				
attributable to owners of the Company				
- Basic (sen)	1.73	2.20	5.13	5.50

(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, 2017 and the accompanying explanatory notes attached to the interim financial statements.)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited	Audited	Audited
	As Of	As Of	As Of
	30.09.2018	31.12.2017	01.01.2017
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	137,455	138,088	141,218
Investment in an associate	19,594	19,363	20,245
Goodwill	30,949	35,137	-
Deferred tax assets	110	117	119
Total non-current assets	188,108	192,705	161,582
Current assets			
Inventories	100,758	86,537	72,554
Trade and other receivables	74,103	67,766	57,783
Tax recoverable	986	805	627
Derivative financial assets	-	6	21
Short-term deposits, cash and bank balances	10,639	18,306	15,829
Total current assets	186,486	173,420	146,814
Total assets	374,594	366,125	308,396
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	164,176	164,163	136,623
Treasury shares	(1,145)	(508)	(2,354)
Reserves	38,910	37,193	54,902
Equity attributable to owners of the Company	201,941	200,848	189,171
Non-controlling interests	21,336	21,054	-
Total equity	223,277	221,902	189,171
Non-current liabilities			
Trade and other payables	442	664	508
Borrowings			
- interest bearing	15,289	20,128	13,417
Deferred tax liabilities	13,842	13,016	12,860
Total non-current liabilities	29,573	33,808	26,785
Current liabilities			
Trade and other payables	51,212	57,912	51,297
Derivative financial liabilities	254	-	570
Borrowings			
- bank overdraft (interest bearing)	2,327	10	-
- interest bearing	67,809	49,737	40,573
Tax payable	142	2,756	-
Total current liabilities	121,744	110,415	92,440
Total liabilities	151,317	144,223	119,225
Total equity and liabilities	374,594	366,125	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, 2017 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	Total	Non- controlling Interests	Total Equity	
	Issued Capital	Treasury Shares	Share Premium	- Non-Distributable Reserves -							Retained Earnings
				Translation Reserve	Warrants Reserve	Discount on Shares					
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Balance as of January 1, 2018	164,163	(508)	-	(1,472)	9,837	(9,837)	38,665	200,848	21,054	221,902	
Total comprehensive income for the financial period	-	-	-	(4,774)	-	-	16,814	12,040	(1,675)	10,365	
Transactions with owners :											
Dividends to owners of the Company	-	-	-	-	-	-	(10,323)	(10,323)	-	(10,323)	
Bonus shares	-	-	-	-	-	-	-	-	-	-	
Exercise of warrants	9	-	-	-	(1)	1	-	9	-	9	
Share buy-back	-	(1,145)	-	-	-	-	-	(1,145)	-	(1,145)	
Disposal of treasury shares	4	508	-	-	-	-	-	512	-	512	
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	1,957	1,957	
Total transactions with owners	13	(637)	-	-	(1)	1	(10,323)	(10,947)	1,957	(8,990)	
Balance as of September 30, 2018	164,176	(1,145)	-	(6,246)	9,836	(9,836)	45,156	201,941	21,336	223,277	
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	-	-	-	(246)	-	-	18,028	17,782	369	18,151	
Transactions with owners :											
Dividends to owners of the Company	-	-	-	-	-	-	(10,486)	(10,486)	-	(10,486)	
Bonus shares	27,325	-	(2,950)	-	-	-	(24,375)	-	-	-	
Warrant issue	-	-	-	-	9,837	(9,837)	-	-	-	-	
Share buy-back	-	(2,890)	-	-	-	-	-	(2,890)	-	(2,890)	
Disposal of treasury shares	196	4,175	-	-	-	-	-	4,371	-	4,371	
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	19,342	19,342	
Total transactions with owners	27,521	1,285	(2,950)	-	9,837	(9,837)	(34,861)	(9,005)	19,342	10,337	
Balance as of September 30, 2017	164,144	(1,069)	-	349	9,837	(9,837)	34,524	197,948	19,711	217,659	

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Report for the financial year ended December 31, 2017 and the accompanying explanatory notes attached to the interim financial statements.)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 9 Months ended 30.09.2018 RM'000	Unaudited 9 Months ended 30.09.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other receivables	313,929	283,359
Cash paid to suppliers, employees and other payables	(309,416)	(278,512)
Cash generated from operations	4,513	4,847
Interest received	30	128
Interest paid	(1,888)	(1,419)
Tax paid	(3,692)	(3,146)
Net Cash (Used In)/From Operating Activities	(1,037)	410
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	63	22
Acquisition of assets through a business combination	-	(36,722)
Purchase of property, plant and equipment, net of finance leases drawdown	(11,670)	(9,433)
Proceeds from disposal of property, plant and equipment	920	131
Net Cash Used In Investing Activities	(10,687)	(46,002)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share buy-back	(1,145)	(2,890)
Proceeds from disposal of treasury shares	512	4,372
Issuance of share capital to non-controlling interests of a subsidiary	1,957	19,342
Proceeds from issuance of ordinary shares	9	-
Share issuance expenses	-	(207)
Drawdown of term loans	6,645	28,623
Repayment of term loans	(10,461)	(5,254)
Dividends paid to owners of the Company	(10,323)	(10,486)
Interest paid	(915)	(705)
Proceeds from short-term borrowings (net)	18,986	9,805
Repayment of finance leases	(2,222)	(2,112)
Net Cash From Financing Activities	3,043	40,488
Net decrease in cash and cash equivalents	(8,681)	(5,104)
Cash and cash equivalents at beginning of financial year	18,296	15,829
Effect of exchange differences	(1,303)	(480)
Cash and cash equivalents at end of financial period *	8,312	10,245
* Cash and cash equivalents at end of financial period consist of:-		
Cash and bank balances	10,639	12,316
Bank overdrafts	(2,327)	(2,071)
	8,312	10,245

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Report for the financial year ended December 31, 2017 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 MFRS 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, 2017. 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, 2017.

The Group has adopted the Malaysian Financial Reporting Standards ("MFRSs") framework issued by the Malaysian Accounting Standards Board with effect from January 1, 2018, and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. Accordingly, the financial statements of the Group for the financial year ending December 31, 2018 is the first set of financial statements prepare in accordance with the MFRSs.

For periods up to and including the financial year ended December 31, 2017, the Group prepared its financial statements in accordance with the Financial Reporting Standards ("FRSs") in Malaysia. The convergence from FRSs to the MFRSs framework does not have significant effect on the financial statements of the Group.

The following MFRSs, IC Interpretation and amendments to MFRSs have been adopted by the Group during the current period:

MFRSs, IC Interpretation and amendments to MFRSs		Effective date
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	January 1, 2018
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)	January 1, 2018
MFRS 15	Revenue from Contracts with Customers	January 1, 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)	January 1, 2018
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)	January 1, 2018

The adoption of the MFRSs, IC Interpretation and amendments to MFRSs does not have significant financial 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 108,000 units of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for acquisition of the shares was RM219,598 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 RM2.03. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

A7 Dividend Paid

	9 months ended	
	30.09.2018	30.09.2017
	RM'000	RM'000
Fourth interim single tier dividend paid for the financial year 2017: 1.30 sen per ordinary share paid on March 21, 2018. (2017: 1.32 sen single tier dividend per ordinary share for the financial year 2016 paid on April 10, 2017).	4,263	3,604
First interim single tier dividend paid for the financial year 2018: 1.05 sen per ordinary share paid on June 28, 2018. (2017: 1.32 sen single tier dividend per ordinary share for the financial year 2017 paid on June 22, 2017).	3,441	3,607
Second interim single tier dividend paid for the financial year 2017: 0.80 sen per ordinary share paid on September 27, 2018. (2017: 1.00 sen single tier dividend per ordinary share for the financial year 2017 paid on September 20, 2017).	2,619	3,275
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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 September 30, 2018 were as follows: -

	RM'000
Property, plant and equipment	
- Authorised and contracted for	4,836
- Authorised but not contracted for	6,277
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A11 Subsequent events

There were no material events subsequent to September 30, 2018 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

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 September 30, 2018.

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”).

The Group’s financial performance from continuing operations and information about its non-current assets* by geographical location for the nine months ended are as follows:

	Malaysia RM'000	Australia RM'000	New Zealand RM'000	MALAYSIA PLANT RM'000	Myanmar RM'000	Total RM'000	Elimination RM'000	Group RM'000
3 months quarter ended September 30, 2018								
Revenue								
-external	79,283	23,113	313	102,709	6,481	109,190	-	109,190
-internal	24,490	-	-	24,490	-	24,490	(24,490)	-
	<u>103,773</u>	<u>23,113</u>	<u>313</u>	<u>127,199</u>	<u>6,481</u>	<u>133,680</u>	<u>(24,490)</u>	<u>109,190</u>
Profit by geographical location	<u>5,766</u>	<u>402</u>	<u>(5)</u>	<u>6,163</u>	<u>516</u>	<u>6,679</u>	<u>(336)</u>	<u>6,343</u>
Share of results of equity-accounted associate								<u>63</u>
Profit before tax								<u>6,406</u>
3 months quarter ended September 30, 2017								
Revenue								
-external	75,338	18,889	1,354	95,581	6,453	102,034	-	102,034
-internal	20,859	-	-	20,859	-	20,859	(20,859)	-
	<u>96,197</u>	<u>18,889</u>	<u>1,354</u>	<u>116,440</u>	<u>6,453</u>	<u>122,893</u>	<u>(20,859)</u>	<u>102,034</u>
Profit by geographical location	<u>10,232</u>	<u>299</u>	<u>42</u>	<u>10,573</u>	<u>1,846</u>	<u>12,419</u>	<u>(1,996)</u>	<u>10,423</u>
Share of results of equity-accounted associate								<u>59</u>
Profit before tax								<u>10,482</u>

REVENUE	< ----- 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					
9 months quarter ended September 30, 2018								
Revenue								
-external	239,119	57,711	1,020	297,850	22,454	320,304	-	320,304
-internal	54,769	-	-	54,769	3,756	58,525	(58,525)	-
	293,888	57,711	1,020	352,619	26,210	378,829	(58,525)	320,304
Profit by geographical location	15,505	1,014	(9)	16,510	3,043	19,553	1,438	20,991
Share of results of equity-accounted associate								231
Profit before tax								21,222
9 months quarter ended September 30, 2017								
Revenue								
-external	220,104	52,974	3,455	276,533	6,453	282,986	-	282,986
-internal	54,933	-	-	54,933	-	54,933	(54,933)	-
	275,037	52,974	3,455	331,466	6,453	337,919	(54,933)	282,986
Profit by geographical location	24,396	557	100	25,053	1,846	26,899	(2,706)	24,193
Share of results of equity-accounted associate								377
Profit before tax								24,570
NON-CURRENT ASSETS								
As of September 30, 2018								
Non-current assets	129,760	43	-	129,803	39,003	168,806	(402)	168,404
As of September 30, 2017								
Non-current assets	132,543	80	-	132,623	44,436	177,059	(3)	177,056

*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	3Q 2018	3Q 2017	Change %	9m 2018	9m 2017	Change %
	RM '000	RM '000		RM '000	RM '000	
Revenue	109,190	102,034	7.0%	320,304	282,986	13.2%
Operating profit	7,353	11,189	-34.3%	23,795	26,317	-9.6%
Profit before tax	6,406	10,482	-38.9%	21,222	24,570	-13.6%
Profit after tax	5,867	7,772	-24.5%	17,961	18,585	-3.4%
Profit attributable to owners of the Company	5,687	7,215	-21.2%	16,814	18,028	-6.7%
MYANMAR PLANT ("Daibochi Myanmar")						
Revenue	6,481	6,453	0.4%	26,210	6,453	306.2%
Profit before tax	516	1,846	-72.0%	3,043	1,846	64.8%

QUARTER REVIEW

For the three months ended September 30, 2018, the Group registered a 7.0% increase in revenue to RM109.19 million from RM102.03 million in the previous corresponding quarter on higher domestic and export sales. Revenue growth was achieved despite a decline in sales of RM3.50 million to a key customer particularly for the Philippines market, following the country's implementation of excise tax on sugar-sweetened beverages. Exports as a percentage of group revenue rose to 56.4% compared to 54.7% previously mainly due to higher deliveries to the Australia region. Contribution from the Malaysia plant grew 7.5% to RM102.71 million from RM95.58 million in the previous corresponding quarter.

Group profit before tax ("PBT") decreased 38.9% from RM10.48 million in the previous corresponding quarter to RM6.41 million mainly due to higher raw materials cost, particularly for solvent and polyester film. The Group also recognised foreign currency exchange ("forex") loss of RM1.36 million in the current quarter, comparing unfavourably to a forex gain of RM634,000 in the previous corresponding quarter. The change was due to the strengthening of the USD versus the Malaysia Ringgit ("MYR") and Myanmar Kyat ("MMK"), which had a material impact on the Group's USD-denominated transactions and its USD term loan for financing its investment in Daibochi Myanmar.

Daibochi Myanmar recorded a marginal increase of 0.4% in revenue to RM6.48 million compared to RM6.45 million in the previous corresponding quarter. The unit's growth was constrained by slower demand in the Myanmar market due to the strengthening USD versus the MMK of approximately 15% compared to the previous corresponding quarter, leading to higher cost of goods for businesses and generally slower activity.

Daibochi Myanmar's PBT decreased 72.0% to RM516,000 from RM1.85 million in the previous corresponding quarter due in part to higher key raw material costs. Daibochi Myanmar also recognized higher forex loss of RM596,000 in the current quarter, comparing unfavourably to forex loss of RM1,400 in the previous corresponding quarter.

Other than a slight increase in labour cost in line with yearly adjustment in wages, overall operational cost as a percentage of revenue for Daibochi Myanmar remained relatively unchanged. The Myanmar plant's lean operating structure provides it with a keen competitive edge in securing new customers in Myanmar and the Southeast Asia region.

NINE MONTHS REVIEW

For the nine months ended September 30, 2018, the Group recorded 13.2% higher revenue of RM320.30 million compared to RM282.97 million in the previous corresponding period. Growth was driven by higher sales to the domestic and export markets, and new contributions from Daibochi Myanmar which commenced operations in July 2017. Exports as a percentage of total group revenue rose to 56.7% compared to 54.6% a year ago.

The Malaysia plant recorded a 7.7% growth in revenue to RM297.85 million compared to RM276.53 million a year ago. The commendable growth was achieved despite a RM10.20 million reduction in sales to a key customer, particularly for the Philippines market following the country's implementation of excise tax on sugar-sweetened beverages.

Despite the growth in revenue, group PBT decreased 13.6% to RM21.22 million from RM24.57 million in the previous year. This was mainly due to forex loss of RM2.87 million compared to forex gain of RM883,000 a year ago. Other factors impacting profitability were higher key raw materials cost, sales mix, and one-off transitional cost and air freight for a new customer in Australia.

Daibochi Myanmar recorded revenue of RM26.21 million and PBT of RM3.04 million for the nine-month period under review. There is no comparison for the corresponding period in the previous year as Daibochi Myanmar commenced operations in July 2017.

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	3Q 2018	2Q 2018	Changes
	RM '000	RM '000	%
Revenue	109,190	106,373	2.6%
Operating profit	7,353	7,061	4.1%
Profit before tax	6,406	6,274	2.1%
Profit after tax	5,867	5,013	17.0%
Profit attributable to owners of the Company	5,687	4,651	22.3%
MYANMAR PLANT ("Daibochi Myanmar")			
Revenue	6,481	8,989	-27.9%
Profit before tax	516	1,013	-49%

For the three months ended September 30, 2018, group revenue increased 2.6% to RM109.19 million from RM106.37 million in the preceding quarter mainly from higher domestic sales, partially offset by reduced sales to a key customer and lower contribution from Daibochi Myanmar. Exports as a percentage of group revenue stood at 56.4% compared to 58.8% in the preceding quarter. Contribution from Malaysia plant increased 4.3% to RM102.71 million in the current period from RM98.46 million in the preceding quarter.

Group PBT increased 2.1% to RM6.41 million from RM6.27 million in the preceding quarter, in line with higher revenue and sales mix. The Group also faced lower forex loss of RM1.36 million compared to RM2.16 million in the preceding quarter.

Daibochi Myanmar noted 27.9% lower revenue of RM6.48 million compared to RM8.99 million in the preceding quarter on reduced sales to a major local customer due to the depreciation of the MMK against the USD which resulted in weaker consumer sentiment. Exports to the Malaysia plant was also halted as the Group was in the process of resolving the issue of sales tax imposed by the Malaysia Government on imports of packaging materials.

Daibochi Myanmar's PBT decreased to RM516,000 from RM1.01 million in the preceding quarter in tandem with lower revenue, in addition to forex loss of RM596,000 in the current quarter compared to forex loss of RM183,000 in the preceding quarter.

B3 Prospects

Daibochi is confident of seeing continued robust growth in demand for flexible packaging in Southeast Asia, especially in the food and beverage ("F&B") and fast-moving consumer goods ("FMCG") sectors. The positive outlook is supported by the region's growing population, improving purchasing power, and shifting consumer preferences led by urbanisation.

Benefiting from the demand uptrend, the Group is optimistic of achieving significantly better top line performance for the financial year ending 31 December 2018 ("FY2018"), driven by larger flexible packaging shipments to the Malaysia and export markets for our multinational corporation ("MNC") clientele's F&B and FMCG brands. Additionally, the Group's Myanmar plant, which commenced operations in the second half of 2017, would provide full-year financial contribution in FY2018.

While our prospects remain intact, we may continue to face high raw material prices, rising operating costs, and fluctuation in foreign currency exchange rates in the near term. We would continue to monitor such challenges and strategize to mitigate their impact accordingly.

We have engaged with the relevant government agencies to address the issue of sales tax imposed on imports from the Myanmar plant into Malaysia, following the implementation of the sales and services tax in Malaysia since September 2018. In October 2018, we received approval for a sales tax exemption on certain products from Daibochi Myanmar. With this interim measure, we are able to resume exporting from Daibochi Myanmar to our Malaysia plant.

Daibochi is at the forefront in providing flexible packaging solutions to leading international brands. We develop packaging with high-quality and compelling printing, and ensure the safety and quality of our clientele's F&B and FMCG products which are widely in use by countries across Southeast Asia and Australia.

Our commitment to product excellence is supported by a culture that prioritizes research and development to enhance our product portfolio. We continuously collaborate with our clientele to bring new and innovative solutions that provide them with a competitive edge in today's market place.

Additionally, our Myanmar plant is in the process of obtaining the Food Safety System Certification ("FSSC"). The FSSC provides a framework for effective management of food safety responsibilities, and will allow the Myanmar plant to enter the qualification process with MNCs towards becoming an approved supplier. We are confident of growing the Myanmar plant into a key and sizable player in Southeast Asia, and are encouraged by the increasing enquiries from our MNC and other customers.

Going forward, the Group is committed to enhancing sustainability throughout our product lifecycle to ensure the well-being of the communities around us. We are encouraged to see more companies setting increasingly stringent sustainability and environmental targets, which also extends into the use of sustainable packaging materials. We actively work with our clientele, comprising major global brands, to enhance existing packaging solutions towards achieving greater sustainability in their global supply chains, such as through reduction in raw material usage and enhanced packaging recyclability.

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		9 months ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Interest income	(9)	(22)	(92)	(150)
Other operating income	(816)	(576)	(2,734)	(1,783)
Loss/(gain) on disposal of property, plant and equipment	120	(40)	218	(67)
Interest expense	1,010	766	2,804	2,124
Depreciation of property, plant and equipment	3,502	3,486	10,381	10,256
Inventories write-down -net	660	479	2,716	2,343
Foreign exchange loss/(gain)	1,069	(580)	2,571	(639)
Foreign exchange loss/(gain) on derivatives	293	(54)	294	(245)

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		9 months ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Current:				
- Malaysian Tax	716	2,538	2,398	5,870
- Foreign Tax	94	554	278	648
- (Over)/under provision in prior year	(351)	104	(241)	104
	<u>459</u>	<u>3,196</u>	<u>2,435</u>	<u>6,622</u>
Deferred tax:				
- Current	65	(488)	811	(639)
- Under provision in prior year	15	2	15	2
	<u>539</u>	<u>2,710</u>	<u>3,261</u>	<u>5,985</u>

The effective tax rate for the financial quarter ended September 30, 2018 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 Trade and other receivables

	30.09.2018	30.09.2017
	RM'000	RM'000
Trade receivables	68,117	57,415
Other receivables	5,115	4,541
Prepayments	384	462
Deposits	487	370
	<u>74,103</u>	<u>62,788</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:

	30.09.2018	30.09.2017
	RM'000	RM'000
Neither past due nor impaired	58,365	50,510
Past due but not impaired:	9,752	6,905
1 month	9,002	6,218
2 months	276	256
3 months	252	192
More than 3 months	222	239
	<u>68,117</u>	<u>57,415</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 at the financial quarter were as follows:-

	As of 3rd quarter ended 30.09.2018					
	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		1,009		1,435		2,444
Draft loan in United States Dollar		-	59	241	59	241
Unsecured:						
Term loan in Ringgit Malaysia		6,910		4,888		11,798
Term loan in United States Dollar	1,778	7,370	2,250	9,325	4,028	16,695
Bankers' acceptances in Ringgit Malaysia		-		25,065		25,065
Bankers' acceptances in Australian Dollar		-	710	2,122	710	2,122
Bankers' acceptances in United States Dollar		-	5,968	24,733	5,968	24,733
Bank Overdraft		-		<u>2,327</u>		<u>2,327</u>
		<u>15,289</u>		<u>70,136</u>		<u>85,425</u>

	As of 3 rd quarter ended 30.09.2017					
	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	-	2,162	-	2,939	-	5,101
Unsecured:						
Term loan in Ringgit Malaysia	-	5,768	-	4,394	-	10,162
Term loan in United States Dollar	4,028	17,036	2,250	9,515	6,278	26,551
Bankers' acceptances in Ringgit Malaysia	-	-	-	20,423	-	20,423
Bankers' acceptances in Australian Dollar	-	-	1,288	4,274	1,288	4,274
Bankers' acceptances in United States Dollar	-	-	4,384	18,540	4,384	18,540
Bank Overdrafts	-	-	-	2,071	-	2,071
		<u>24,966</u>		<u>62,156</u>		<u>87,122</u>

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 September 30, 2018, the Group has the following outstanding derivatives:-

	Principal or Notional Amount RM'000	Fair Value RM'000	Net loss RM'000
Foreign currency forward contracts:-			
Less than 1 year	7,450	7,704	<u>254</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 material litigation as of the date of this quarterly report.

B12 Dividends

The Board is pleased to declare a third interim single tier dividend of 1.00 sen for the financial year ending December 31, 2018 and the said dividend will be paid on December 21, 2018 to shareholders whose names appear on the Company's Record of Depositors on December 6, 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		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Profit attributable to owners of the Company (RM'000)	5,687	7,215	16,814	18,028
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	(527)	(254)	(232)	(267)
Effect of exercise of warrants	4	-	3	-
Weighted average number of ordinary shares as of September 30	327,372	327,641	327,666	327,628
Basic earnings per share (sen)	1.73	2.20	5.13	5.50

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 does not exceed the exercise price of the warrants.

By Order of the Board

Ms TAN GAIK HONG, MIA 4621
Secretary
Melaka
Dated: November 14, 2018
c.c. Securities Commission