

**DAIBOCHI BERHAD**

(Company No: 197201001354 [12994-W])
(Incorporated in Malaysia)

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 31 October 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 October 2020

	3 MONTHS ENDED	
	Current year quarter 31.10.2020 RM'000	Preceding year corresponding quarter 31.10.2019 RM'000
Revenue	156,678	152,564
Operating profit	17,617	16,508
Interest expense	(434)	(1,553)
Profit before tax	17,183	14,955
Taxation	(4,351)	(3,651)
Profit for the financial quarter/period	12,832	11,304
Profit for the financial quarter/period attributable to:		
Owners of the Company	12,788	10,976
Non-controlling interests	44	328
Profit for the financial quarter/period	12,832	11,304
Earnings per ordinary share attributable to owners of the Company		
- Basic (sen)	3.91	3.35
- Diluted (sen)	3.88	N/A

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the financial year ended 31 July 2020)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 October 2020

	3 MONTHS ENDED	
	Current year quarter 31.10.2020 RM'000	Preceding year corresponding quarter 31.10.2019 RM'000
Profit for the financial quarter/period	12,832	11,304
Other comprehensive income for the financial quarter/period, net of income tax :		
Item that may be reclassified subsequently to profit or loss:		
- Foreign exchange differences on translation of foreign operations	1,612	194
Other comprehensive income for the financial quarter/period, net of income tax	1,612	194
Total comprehensive income for the financial quarter/period, net of income tax	14,444	11,498
Total comprehensive income for the financial quarter/period attributable to:		
Owners of the Company	13,565	11,163
Non-controlling interests	879	335
	14,444	11,498

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 July 2020)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 October 2020

	AS AT CURRENT FINANCIAL QUARTER ENDED 31.10.2020 RM'000 (Unaudited)	AS AT PRECEDING FINANCIAL YEAR ENDED 31.07.2020 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	211,969	199,849
Right-of-use assets	3,720	3,797
Goodwill	76,950	75,842
Deferred tax assets	158	164
	292,797	279,652
Current assets		
Inventories	58,945	72,325
Trade and other receivables	103,086	102,623
Tax recoverable	6	5
Cash and bank balances	34,701	28,484
	196,738	203,437
TOTAL ASSETS	489,535	483,089
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	164,180	164,176
Treasury shares	(1,145)	(1,145)
Reserves	103,326	89,761
Equity attributable to owners of the Company	266,361	252,792
Non-controlling interests	25,787	24,908
Total equity	292,148	277,700
Non-current liabilities		
Lease liabilities	3,320	3,365
Borrowings	2,003	2,349
Deferred tax liabilities	23,975	24,119
	29,298	29,833
Current liabilities		
Trade and other payables	96,042	96,005
Lease liabilities	2,212	2,258
Borrowings	67,014	75,890
Tax payable	2,821	1,403
	168,089	175,556
Total liabilities	197,387	205,389
TOTAL EQUITY AND LIABILITIES	489,535	483,089
Net assets per share attributable to owners of the Company (RM)	0.81	0.77

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 July 2020)



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 October 2020

	Share capital RM'000	Treasury shares RM'000	Reserves		Retained earnings RM'000	Attributable to the equity owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
			Revaluation reserve RM'000	Translation reserve RM'000				
Balance as at 1 August 2020	164,176	(1,145)	7,468	694	81,599	252,792	24,908	277,700
Profit for the financial period	-	-	-	-	12,788	12,788	44	12,832
Other comprehensive income for the financial period, net of income tax	-	-	-	777	-	777	835	1,612
Total comprehensive income for the financial period	-	-	-	777	12,788	13,565	879	14,444
Exercise of warrants	4	-	-	-	-	4	-	4
Balance as at 31 October 2020	164,180	(1,145)	7,468	1,471	94,387	266,361	25,787	292,148
Balance as at 1 August 2019	164,176	(1,145)	7,468	(5,055)	40,476	205,920	24,045	229,965
Profit for the financial period	-	-	-	-	10,976	10,976	328	11,304
Other comprehensive income for the financial period, net of income tax	-	-	-	187	-	187	7	194
Total comprehensive income for the financial period	-	-	-	187	10,976	11,163	335	11,498
Balance as at 31 October 2019	164,176	(1,145)	7,468	(4,868)	51,452	217,083	24,380	241,463

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 July 2020)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 October 2020

	3 MONTHS ENDED 31.10.2020 RM'000	3 MONTHS ENDED 31.10.2019 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	17,183	14,955
Adjustments	6,703	8,349
Operating profit before working capital changes	<u>23,886</u>	<u>23,304</u>
Movements in working capital:		
Decrease in inventories	12,574	11,785
Increase in trade and other receivables	(6,800)	(8,592)
(Decrease)/increase in trade and other payables	(370)	21,758
Cash generated from operations	<u>29,290</u>	<u>48,255</u>
Interest received	2	60
Tax paid	(3,054)	(1,709)
Net cash from operating activities	<u>26,238</u>	<u>46,606</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Dividend income from an associate	-	2,140
Proceeds from disposal of property, plant and equipment	18	66
Interest received	4	132
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	(89,931)
Purchase of property, plant and equipment	(5,985)	(8,839)
Deposit paid for purchase of property, plant and equipment	(6,443)	(1,115)
Net cash used in investing activities	<u>(12,406)</u>	<u>(97,547)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Net (repayment)/drawdown of short-term borrowings	(6,535)	71,237
Repayment of term loans	(636)	(3,227)
Proceeds from exercise of warrants	4	-
Interest paid	(339)	(1,465)
Interest paid on lease liabilities	(95)	(88)
Repayment of lease liabilities	(198)	(382)
Net cash (used in)/from financing activities	<u>(7,799)</u>	<u>66,075</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,033	15,134
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	28,484	18,562
Effect of exchange differences	184	(9)
	<u>28,668</u>	<u>18,553</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	34,701	33,687

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 July 2020)

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL QUARTER ENDED 31 OCTOBER 2020

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 and Appendix 9B of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 July 2020 which were prepared under Malaysian Financial Reporting Standards ("MFRS"). 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 31 July 2020.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 July 2020, except for the adoption of the following amendments to MFRSs that are effective for the financial statements effective from 1 August 2020, as disclosed below:

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 16	COVID-19 - Related Rent Concessions
Amendments to MFRS 101 and MFRS 108 MFRSs	Definition of Material Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of these amendments to MFRSs does not have significant impact on the financial statements of the Group.

A2 Audit report

The Group's preceding annual financial statements for the financial year ended 31 July 2020 was not qualified.

A3 Seasonal or cyclical factors

The business operations of the Group for the current financial quarter under review were not materially affected by any seasonal or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no material items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current financial quarter under review.

A5 Material changes in estimates

There were no changes in estimates of amounts reported in prior interim periods that have a material effect in the current financial quarter under review.

A6 Changes in debts and equity securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter under review except for an issuance of 1,476 new ordinary shares pursuant to the exercise of 1,476 warrants at an exercise price of RM2.50 per share.

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A7 Dividends paid

There was no dividend paid by the Company in the current financial year-to-date ended 31 October 2020.

A8 Segment information

The Group did not present operating segment analysis as the business of the Group focuses solely in manufacturing and marketing of flexible packaging materials within their internal reporting system. Accordingly, the chief operating decision makers review the business performance of the Group as a whole.

A9 Disclosure items

The following items have been included in arriving at profit before tax:

	3 months ended	
	31.10.2020	31.10.2019
	RM'000	RM'000
(a) Interest income	(6)	(192)
(b) Other income	(1,063)	(854)
(c) Interest expense	339	1,465
(d) Interest on lease liabilities	95	88
(e) Depreciation of property, plant and equipment	5,681	5,079
(f) Depreciation of right-of-use assets	294	224
(g) Net provision/(write back) of receivables	118	(28)
(h) Net provision of inventories	228	715
(i) Write-off of inventories	-	80
(j) Gain on disposal of plant and equipment	(18)	(63)
(k) Property, plant and equipment written off	168	33
(l) Net foreign exchange (gain)/loss	(212)	934
(m) Net gain arising from financial instruments measured at fair value through profit or loss	-	(113)

In the current financial quarter and current financial year-to-date ended 31 October 2020, there were no:

- Gain or loss on disposal of quoted or unquoted investments;
- Impairment of assets;
- Gain or loss on derivatives; and
- Any other material items not disclosed above.

A10 Valuation of property, plant and equipment

The valuation of property, plant and equipment were brought forward without any amendments from the preceding annual financial statements.

A11 Events subsequent to the end of the reporting period

There were no material events subsequent to the end of the current financial quarter that have not been reflected in the financial statements for the said period as at the date of this report.

A12 Changes in the composition of the Group

There were no material changes in the composition of the Group during the current financial quarter under review.

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A13 Contingent liabilities

There were no contingent liabilities or assets for the Group as at the end of the current financial quarter under review.

A14 Capital commitments

As at the end of the current financial quarter under review, the capital commitments not recognised in the financial statements were as follows:

	As at 31.10.2020 RM'000	As at 31.10.2019 RM'000
Approved and contracted for:		
Purchase of plant and machinery	31,686	11,766
	31,686	11,766

A15 Related party transactions

The Group's related party transactions in the current financial quarter and current financial year-to-date ended 31 October 2020 were as follows:

	3 months ended	
	31.10.2020 RM'000	31.10.2019 RM'000
An associate		
Dividend income	-	2,140
Other related companies *		
Sale of goods	-	2,662
Facilities usage income	819	819
Purchase of goods	41,764	36,943
	41,764	36,943

* Other related companies refer to subsidiaries of holding company, Scientex Berhad.

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD
INTERIM FINANCIAL REPORT
FOR THE FINANCIAL QUARTER ENDED 31 OCTOBER 2020**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD**

B1 Review of performance

	3 MONTHS ENDED		Changes %
	Current year quarter	Preceding year corresponding quarter	
	31.10.2020 RM'000	31.10.2019 RM'000	
Revenue	156,678	152,564	2.7%
Operating profit	17,617	16,508	6.7%
Profit attributable to owners of the Company	12,788	10,976	16.5%

Current quarter review

For the current financial quarter ended 31 October 2020, the Group achieved revenue of RM156.7 million, an increase of 2.7% compared to RM152.6 million recorded in the preceding year corresponding quarter. The increase was mainly due to better sales achieved from domestic market, which made up to RM88.5 million or 56.5% of group revenue. Exports made up the balance RM68.2 million or 43.5% of group revenue.

In line with the higher sales recorded in the current financial quarter under review, the Group's operating profit was RM17.6 million, an increase of 6.7% compared to RM16.5 million recorded in the preceding year corresponding quarter.

B2 Variations of the quarterly results as compared to the results of the preceding quarter

	Current quarter	Preceding quarter	Changes %
	31.10.2020 RM'000	31.7.2020 RM'000	
Revenue	156,678	155,774	0.6%
Profit before tax ("PBT")	17,183	13,123	30.9%
Profit attributable to owners of the Company	12,788	11,225	13.9%

For the three months ended 31.10.2020, the Group's revenue increased marginally to RM156.7 million from RM155.8 million in the preceding financial quarter.

Group PBT increased 30.9% to RM17.2 million from RM13.1 million in the preceding financial quarter, consistent with the increase in revenue. In the preceding financial quarter, there was an impairment of goodwill recognised amounting to RM4.0 million.

B3 Current financial year prospects

The Group remains focused to strengthen its reputation as a key supplier of innovative and sustainable flexible plastic packaging (FPP) solutions as it continues to expand its markets within the Southeast Asia and Oceania regions. Demand for its products, deemed as essential components in the essential food and beverages packaging supply chain, has remained relatively strong for the period under review.

As part of its longer term strategy to enhance its overall competitiveness, the Group has embarked on a capacity expansion with recent acquisitions of new printing, lamination and bagging machines to boost its production efficiency and capabilities. This expansion initiative, which commenced in financial year 2020, remains on track and will provide a boost to the Group's ability to address its customers' specific needs.

The Group has also been in numerous active engagements and undertaken many developments jointly with its customers and Scientex Group. These developments, include packaging solutions in the form of polypropylene (PP) based mono-material laminates which are fully recyclable solutions and have major applications in the food and beverage packaging segment with diverse product applications such as outerpacks, pouches, sachets and stickpacks, amongst others. The Group expects growing demand for its innovative yet environmental-friendly products with the increase in adoption of sustainable FPP solutions.

The Group remains cautiously optimistic that the current financial year would remain positive driven by the resilient demand for its innovative and sustainable FPP solutions.

B4 Variations of actual profit from forecast profit

This note is not applicable as the Group did not issue and publish any profit forecast for the current financial quarter under review.

B5 Taxation

Details of tax expense for the current financial quarter and current financial year-to-date were as follows:

	3 months ended	
	31.10.2020	31.10.2019
	RM'000	RM'000
In respect of current quarter:		
- Income tax	4,495	3,773
- Deferred tax	(144)	(122)
	<u>4,351</u>	<u>3,651</u>

B6 Status of corporate proposals

There were no material corporate proposals announced and not completed as at the date of this report.

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B7 Borrowings

As at 31 October 2020	Long term RM'000	Short term RM'000	Total borrowings RM'000
Unsecured:			
Denominated in USD			
- Trade financing	-	41,915	41,915
Denominated in AUD			
- Trade financing	-	22,922	22,922
Denominated in RM			
- Term loan	2,003	2,177	4,180
Total	2,003	67,014	69,017
As at 31 October 2019			
Secured:			
Denominated in RM			
- Finance lease	390	609	999
- Trade financing	-	1,800	1,800
Unsecured:			
Denominated in USD			
- Term loan	-	6,682	6,682
- Trade financing	-	45,391	45,391
Denominated in JPY			
- Trade financing	-	2,280	2,280
Denominated in AUD			
- Trade financing	-	42,050	42,050
Denominated in RM			
- Term loan	4,196	2,485	6,681
- Trade financing	-	29,500	29,500
Total	4,586	130,797	135,383

B8 Material litigation

There was no material litigation involving any member of the Group as at the date of this report.

B9 Dividend

In respect of the financial year ended 31 July 2020, the Board of Directors recommended a single tier final dividend of 3 sen per ordinary share. The dividend has been approved by shareholders at the Annual General Meeting held on 16 December 2020 and is payable on 15 January 2021.

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B10 Earnings per share

	3 months ended	
	31.10.2020	31.10.2019
(i) Basic per ordinary shares		
Profit attributable to owners of the Company (RM'000)	12,788	10,976
Weighted average number of ordinary shares ('000)	327,349	327,348
Basic earnings per ordinary share (sen)	3.91	3.35
<hr/>		
(ii) Diluted earnings per share		
Profit attributable to owners of the Company (RM'000)	12,788	N/A
Weighted average number of ordinary shares ('000)	327,349	N/A
Effect of dilution ('000) - warrants	2,255	N/A
Adjusted weighted average number of ordinary shares ('000)	329,604	N/A
Diluted earnings per share (sen)	3.88	N/A
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By Order of the Board

Tung Wei Yen (MAICSA 7062671)
Geetharani A/P Ranganathan (MAICSA 7070549)
Company Secretaries

16 December 2020