



2017 ANNUAL REPORT

DAIBOCHI PLASTIC AND PACKAGING
INDUSTRY BHD. (12994-W)



WELCOME TO OUR ANNUAL REPORT

Our Mission

To be the “Preferred Supplier Of Our Customers” and exceed customers’ expectations in product, quality, service and delivery.

Our Vision

To achieve superiority in services and supplies of flexible packaging materials through the following means:

- (a) Continuous Improvement in Effectiveness of Quality Management System to ensure Product Quality and Safety as well as Services that satisfy customers’ requirements.
- (b) Total Commitment to maintain the highest Quality and Safe Products and Services by everyone in Daibochi regardless of rank. We will adhere to established guidelines as stipulated by applicable regulations, statutory requirements and customers’ specified requirements.
- (c) Continuous Development and Training of all staff to develop proper attitude, aptitude and work culture to improve knowledge of Product Quality and Safety.

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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty Fifth (45th) Annual General Meeting (AGM) of the Company will be held at Bunga Melati, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Friday, June 8, 2018 at 11.30 a.m. for the following purposes:

AS ORDINARY BUSINESS:

1. To receive the audited financial statements for the year ended December 31, 2017 together with the Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note on Agenda 1)
2. To approve the payment of Non-Executive Directors' (NEDs) fees for the year ended December 31, 2017 amounting to RM52,325 (2016: RM88,000). (Resolution 1)
3. To ratify and approve the payment of the NEDs' benefits up to an amount of RM206,800 from May 2018 until the next AGM of the Company. (Resolution 2)
4. To re-elect Mr. Low Geoff Jin Wei who is retiring under Article 103 of the Company's Constitution. (Resolution 3)
5. To re-elect Mr. Faris Salim Cassim who is retiring under Article 94 of the Company's Constitution. (Resolution 4)
6. To re-appoint retiring Auditors, Messrs Grant Thornton Malaysia as Auditors of the Company for the financial year ending December 31, 2018 and to authorise the Directors to fix their remuneration. (Resolution 5)

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions:

7. **Ordinary Resolution**
Authority to Issue and Allot Shares Pursuant to Section 75 of the Companies Act 2016

"THAT, subject to the provisions of Section 75 of the Companies Act 2016 and the approval of the relevant authorities, the Directors be and are hereby authorised from time to time to issue and allot ordinary shares in the Company upon such terms and conditions and at such times as may be determined by the Directors to be in the interest of the Company provided always that the aggregate number of shares to be issued pursuant to this resolution shall not exceed ten percent (10%) of the total number of issued shares for the time being of the Company." (Resolution 6)

8. **Ordinary Resolution**
Proposed Renewal of Share Buy-Back Authority

"THAT, subject always to Section 127 of the Companies Act 2016 (the Act), rules, regulations and orders made pursuant to the Act, provisions of the Company's Constitution and the requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia) and any other relevant authority, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company PROVIDED THAT:

- (a) the total aggregate number of ordinary shares in the Company which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total number of issued shares of the Company as quoted on Bursa Malaysia as at the point of purchase, subject to a restriction that the issued share capital of the Company does not fall below the applicable minimum share capital requirement of Bursa Malaysia's Listing Requirements;
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing the shares shall not exceed the Company's latest audited retained earnings;

- (c) the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:
 - (i) the conclusion of the next AGM at which time it shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
 - (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first;

AND THAT, the Directors of the Company be and are hereby authorised to cancel all the shares or any part thereof so purchased or to retain all the shares so purchased as treasury shares (of which may be distributed as dividends to shareholders and/or resold on Bursa Malaysia and/or subsequently cancelled), or to retain part of the shares so purchased as treasury shares and cancel the remainder, and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act, Bursa Malaysia's Listing Requirements and any other relevant authorities for the time being in force.

AND THAT, the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise or to effect the aforesaid share buy-back with full powers to assent to any conditions, modifications, variations and/or amendments, as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Directors may deem fit and expedient in the best interest of the Company."

(Resolution 7)

9. **Special Resolution**

Proposed Change of Company's Name from "Daibochi Plastic And Packaging Industry Bhd" to "Daibochi Berhad"

"THAT, the name of the Company be hereby changed from "Daibochi Plastic And Packaging Industry Bhd" to "Daibochi Berhad" with effect from the date of issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia and that the name of the Company be amended accordingly wherever it appears in the Company's Constitution (Proposed Change of Name).

"AND THAT, the Directors and/or Company Secretaries be and are hereby authorised to give effect to the Proposed Change of Name with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities."

(Resolution 8)

- 10. To transact any other business for which due notice shall have been given.

By order of the Board

Ms. Tan Gaik Hong, MIA 4621

Ms. Geetharani a/p Ranganathan, MAICSA 7070549

Company Secretaries

Melaka

Dated: April 30, 2018

NOTES:

1. For the purpose of determining a member who shall be entitled to attend, participate, speak and vote at this 45th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 67(b) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at May 31, 2018. Only a depositor whose name appears on the Record of Depositors as at May 31, 2018 shall be entitled to attend, participate, speak and vote at the said meeting or appoint proxies to attend, participate, speak and vote on his/her behalf.
2. A member entitled to attend, participate, speak and vote at the meeting is entitled to appoint up to two (2) proxies to attend, participate, speak and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
4. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing. If the appointor is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its officer or duly authorised attorney.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company, Kompleks Daibochi Plastic, Lot 3 & 7 Air Keroh Industrial Estate, Phase IV, 75450 Melaka not less than twenty-four (24) hours before the time appointed for holding the meeting.
8. Pursuant to Paragraph 8.29A(1) of Bursa Malaysia's Listing Requirements, all the Resolutions set out in this Notice will be put to vote by poll.

EXPLANATORY NOTES**AGENDA 1**

This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, Agenda 1 is not put forward for voting.

ORDINARY BUSINESS**(i) Resolutions 1 and 2**

Section 230(1) of the Companies Act 2016 provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

- Resolution 1 - The NEDs' fees were approved by the Board to be recommended to the shareholders for approval.
- Resolution 2 - The NEDs' benefits comprise the meeting allowance, monthly allowance and yearly Audit Committee (AC) allowance. The benefits for the NEDs are as follows:

<u>Nature of benefits</u>	<u>Chairperson (RM)</u>	<u>Non-Executive Directors/ Member (RM)</u>
Meeting allowance – per meeting		
➤ Board	500	400
➤ Board Committees	500	400
Monthly allowance	6,500	3,000
Yearly AC allowance	5,000	3,000

The estimated amount of RM206,800 is derived from the total number of scheduled Board and Board Committees' meetings held/to be held from May 2018 until the next AGM in 2019, monthly allowance from May 2018 until the next AGM in 2019 and the AC's yearly allowance.

(ii) Resolution 3

Article 103 of the Company's Constitution provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. The Directors shall retire from office at least once in three (3) years but shall be eligible for re-election. The profile of the Director who is standing for re-election, Mr. Low Geoff Jin Wei is available in the Profile of Directors section. Information on the assessments undertaken by the Nomination Committee is stated in Section 2.11 of the Corporate Governance Overview Statement in this Annual Report and Practice 5.1 of the Corporate Governance Report available on the Company's website at www.daibochi.com.

(iii) Resolution 4

Article 94 of the Company's Constitution provides that the Directors shall have the power to appoint any person to be a Director as an addition to the existing Board of Directors. The Director who has been appointed shall retire from office at the close of the next AGM but shall be eligible for re-election. Mr. Faris Salim Cassim was appointed on September 1, 2017 and his profile is available in the Profile of Directors section. Information on the assessments undertaken by the Nomination Committee is stated in Section 2.11 of the Corporate Governance Overview Statement in this Annual Report and Practice 5.1 of the Corporate Governance Report available on the Company's website at www.daibochi.com.

(iv) Resolution 5

The Audit Committee (AC) and the Board have considered the re-appointment of Messrs Grant Thornton Malaysia as Auditors of the Company based on the *AC's Policy on the Suitability, Objectivity and Independence of the External Auditors*. Both the AC and the Board are satisfied with the performance, objectivity and independence of the External Auditors and recommend the re-appointment of Messrs Grant Thornton Malaysia as Auditors of the Company. Please refer to Section 2.3(a) of the Audit Committee Report in this Annual Report for the assessment undertaken by the AC.

SPECIAL BUSINESS

(i) Resolution 6

The proposed Resolution 6, if passed, will give a renewed mandate to the Directors of the Company, from the date of the forthcoming AGM, to allot and issue ordinary shares from the unissued capital of the Company pursuant to Section 75 of the Companies Act 2016.

As at the date of the Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on May 24, 2017 which will lapse at the conclusion of the forthcoming AGM.

The Board continues to consider opportunities to broaden the operating base and earnings potential of the Company. If any of the expansion proposals involves the issuance of new shares, the Directors would have to convene a general meeting to approve the issuance of new shares.

In order to avoid any delay and costs involved in convening a general meeting to approve such issuance of shares, it is considered appropriate that the Directors be empowered, as proposed in Resolution 6, to allot and issue shares in the Company, up to an amount not exceeding in aggregate ten percent (10%) of the total number of issued shares of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

(ii) Resolution 7

The proposed Ordinary Resolution 7, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of total number of issued shares of the Company. This authority, unless revoked or varied by the Company at a general meeting will expire at the next AGM. Please refer to the Statement/Circular to Shareholders dated April 30, 2018 which is despatched together with the Annual Report 2017 for further information.

(iii) Resolution 8

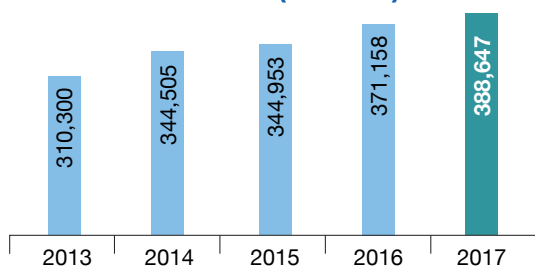
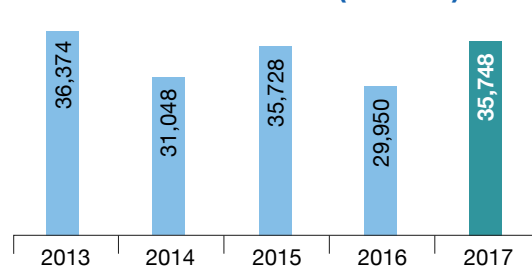
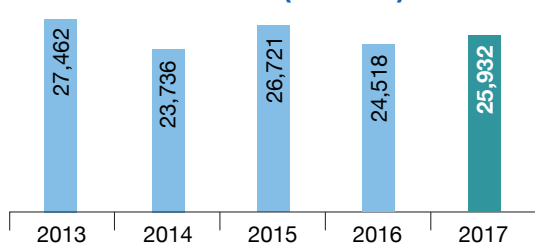
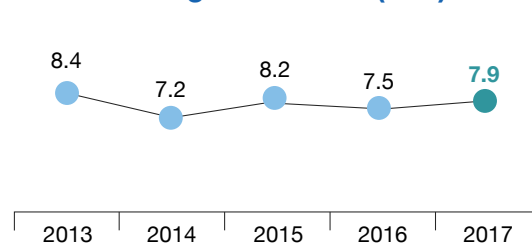
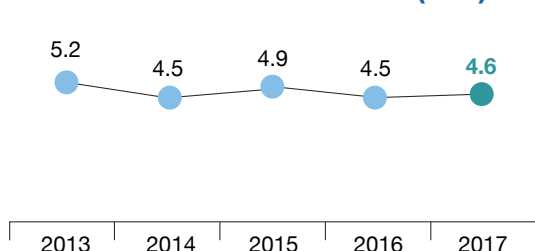
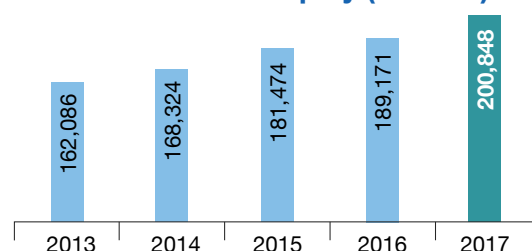
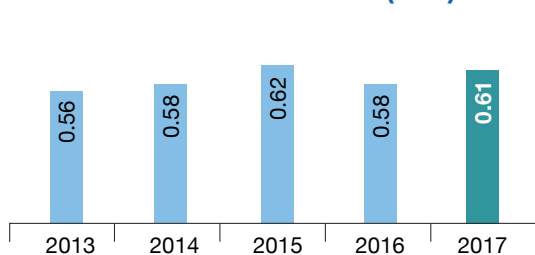
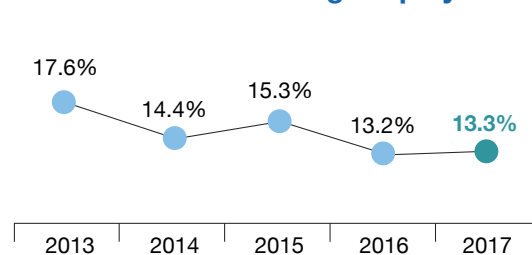
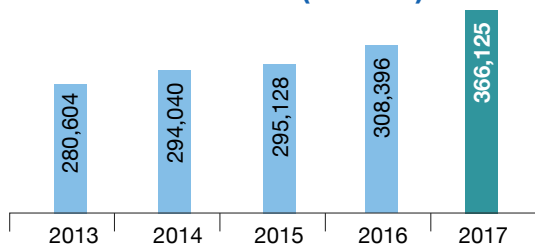
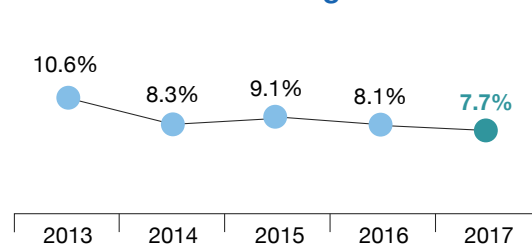
The proposed Special Resolution 8 is intended to enhance the Company's corporate identity among its existing clientele and the flexible packaging industry. The change of name is to take effect from the date of issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia to the Company. Please refer to the Statement/Circular to Shareholders dated April 30, 2018 which is despatched together with the Annual Report 2017 for further information.

Statement Accompanying Notice of Annual General Meeting

(pursuant to Paragraph 8.27(2) of Bursa Malaysia's Listing Requirements)

As at the date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming AGM.

Financial Highlights

Turnover (RM'000)

Profit Before Tax (RM'000)

Net Profit (RM'000)

Earnings Per Share (Sen)*

Gross Dividend Per Share (Sen)*

Shareholders' Equity (RM'000)

Net Assets Per Share (Sen)*

Return on Average Equity

Total Assets (RM'000)

Return on Average Assets


* The comparative figures have been adjusted to take into account a 1-to-2 share split and 1-for-5 bonus issue of split shares completed in February 2016, as well as a 2-for-10 bonus issue of shares completed in June 2017.

Corporate Milestones

Leading flexible packaging solutions provider, with enviable reputation exceeding 45 years ...

- | | |
|---|---|
| <p>1972 • Established in Melaka with 10,000 sq. ft. plant.
• Moved to larger premises with 165,527 sq. ft.</p> <p>1984 • Started in-house printing cylinder making.</p> <p>1987 • Acquired polypropylene film-making machine to produce in-house films.</p> <p>1990 • Acquired metallizer to produce in-house metallized films.
• Listed on Second Board of KLSE (Bursa Malaysia).</p> <p>1994 • Acquired fastest extrusion laminator in Southeast Asia.</p> <p>1996 • Moved to current premises with >325,000 sq. ft. built-up area.</p> <p>2001 • Incorporated Australian subsidiary.
• Accredited with ISO:9001.</p> <p>2002 • Acquired metallizer with Plasma Tech to produce high-barrier films.</p> <p>2003 • Transferred to Main Market of Bursa Malaysia.
• HACCP certification.</p> <p>2004 • Acquired Malaysia's first 5-layer blown film machine to produce transparent barrier films.</p> <p>2007 • Received Gold Award for the Colorpak Packaging Export Award at Australian Packaging Awards.</p> <p>2008 • Acquired wide web polypropylene film-making machine.</p> | <p>2009 • Acquired 9th printing machine.
• HALAL Certification.</p> <p>2011 • Acquired high-speed printing machine.
• Acquired metallizer to produce ultra-high barrier films.
• ISO:14001 certification.</p> <p>2012 • Set up Cleanroom for bagging process.</p> <p>2013 • Winner: Top Overall Corporate Governance (CG) Award 2013 in Mid-Cap Category by Minority Shareholder Watchdog Group (MSWG).</p> |
|---|---|



- 2014
 - Commenced operations of 2nd manufacturing plant (Daibochi Plastic Plant 2) in Jasin, Melaka.
 - Acquired second metallizer and first high-speed machine.
 - FSSC:22000 certification.
 - Winner: Top Overall CG Award 2014 in Mid-Cap Category by MSWG.
- 2015
 - Acquired high-speed extrusion lamination machine and high-speed printing machine.
 - Winner: Top Overall CG Award 2015 in Mid-Cap Category by MSWG.
- 2016
 - Expanded Daibochi Plastic Plant 2 to 140,000 sq. ft. from 80,000 sq. ft.
 - Joint Venture (JV) with Myanmar Smart Pack Industrial Company Limited to set up JV company in Myanmar.
 - Winner: Top Overall CG Award 2016 in Mid-Cap Category by MSWG.
- 2017
 - Established Daibochi Packaging (Myanmar) Company Limited.
 - Commenced operations in July 2017.
 - Obtained ISO 9001 : 2015 and HACCP FSMS Certifications.
 - Commenced first export sales in December 2017.
 - Winner: Merit Award for Best AGM 2017 (companies with market capitalisation less than RM1 billion) by MSWG.



Internationally - certified production facilities



MSWG Corporate Governance Awards 2013 - 2017



State of the Art Machinery

Corporate Information

BOARD OF DIRECTORS

Mr. Heng Fu Joe
Chairman and Independent Non-Executive Director

Mr. Lim Soo Koon
Managing Director

Mr. Low Geoff Jin Wei
Executive Director

Ms. Caroline Ang Choo Bee
Independent Non-Executive Director

Mr. Faris Salim Cassim
Independent Non-Executive Director
(Appointed w.e.f. September 1, 2017)

COMPANY SECRETARIES

Ms. Tan Gaik Hong
MIA 4621
Ms. Geetharani a/p Ranganathan
MAICSA 7070549

WEBSITE

www.daibochi.com

CERTIFICATES

ISO 9001:2008
EN ISO 9001:2008
BS EN ISO 9001:2008
MS ISO 9001:2008
ISO 14001:2004
EN ISO 14001:2004
BS EN ISO 14001:2004
MS ISO 14001:2004
FSSC 22000

REGISTERED OFFICE

Kompleks Daibochi Plastic
Lot 3 & 7, Air Keroh Industrial Estate
Phase IV, 75450 Melaka
Tel No. : 06-2312746
Fax No. : 06-2328988

REGISTRARS

Tricor Investor & Issuing House
Services Sdn. Bhd. (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3,
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No. : 03-27839299
Fax No. : 03-27839222

AUDITORS

Grant Thornton Malaysia
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail,
50250 Kuala Lumpur
Wilayah Persekutuan
Tel No. : 03-26924022
Fax No. : 03-26915229

PRINCIPAL BANKERS

AmBank (M) Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
United Overseas Bank (Malaysia) Bhd

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
Sector : Industrial Products
Stock Name : Daiboci
Stock Code : 8125

Board of Directors



Seated from left to right

Mr. Lim Soo Koon (*Managing Director*),
Mr. Heng Fu Joe (*Chairman and Independent Non-Executive Director*)

Standing from left to right

Ms. Caroline Ang Choo Bee (*Independent Non-Executive Director*),
Mr. Faris Salim Cassim (*Independent Non-Executive Director*),
Mr. Low Geoff Jin Wei (*Executive Director*),
Ms. Geetharani Ranganathan (*Company Secretary*),
Ms. Tan Gaik Hong (*Company Secretary*)

Profile of Directors

Mr. Heng Fu Joe, a Malaysian, male, aged 37, was appointed to the Board of Daibochi on August 2, 2010. He is an Independent Non-Executive Director and the Chairman of the Board. Mr. Heng is also the Chairman of the Nomination Committee, Remuneration Committee and Risk Management Committee and a member of the Audit Committee.

He is a Chartered Accountant of the Malaysian Institute of Accountants, a fellow member of the Institute of Chartered Accountants Australia, a Chartered member of the Institute of Internal Auditors Malaysia, a CPA and an Approved Auditor with the Kampuchea Institute of Certified Public Accountants and Auditors, Cambodia. His past experience includes being the Manager of RSM Bird Cameron in Australia and a Finance Analyst of Goldman Sachs International in London, United Kingdom. Mr. Heng is currently a Partner of Baker Tilly, Malaysia.

Mr. Heng has no family relationship with any Director and/or major shareholder of Daibochi and has no conflict of interest with the Company. He does not hold any directorship in other public companies and listed issuers. Mr. Heng has not been convicted of any offence (other than traffic offences, if any) within the past five (5) years or been imposed with any public sanctions or penalties by the relevant regulatory bodies during the financial year.

He attended eight (8) of the nine (9) Board of Directors' meetings held during the financial year ended December 31, 2017.

Mr. Lim Soo Koon, a Malaysian, male, aged 56, was appointed to the position of Managing Director on February 1, 2005. He is also a member of the Risk Management Committee.

He holds a degree in Bachelor of Science Industrial Engineering and Management from Oklahoma State University. He also holds a Master of Business Administration degree from Oklahoma State University. He joined the Company in 1995 and was the General Manager of the Company from 1999 before his appointment as Managing Director in February 2005. He has a wide range of experience in management, finance, marketing and business development.

Mr. Lim has no family relationship with any Director and/or major shareholder of Daibochi and has no conflict of interest with the Company. He does not hold any directorship in other public companies and listed issuers. Mr. Lim has not been convicted of any offence (other than traffic offences, if any) within the past five (5) years or been imposed with any public sanctions or penalties by the relevant regulatory bodies during the financial year.

He attended all the nine (9) Board of Directors' meetings held during the financial year ended December 31, 2017.

Mr. Low Geoff Jin Wei, an Australian, male, aged 35, was appointed to the Board of Daibochi on October 5, 2010 as an Executive Director. He is also a member of the Risk Management Committee.

He graduated from the University of Sydney, New South Wales, Australia with a Bachelor of Commerce (Major in Finance & Marketing). Prior to this, Mr. Low Jin Wei was the Managing Director/Project Director of GlassKote (Malaysia) Sdn Bhd from 2005 to September 2010.

Mr. Low Jin Wei has no family relationship with any Director of Daibochi. He is the son of Mr. Low Chan Tian, who is a major shareholder of the Company. He has no conflict of interest with the Company and does not hold any directorship in other public companies and listed issuers. He has not been convicted of any offence (other than traffic offences, if any) within the past five (5) years or been imposed with any public sanctions or penalties by the relevant regulatory bodies during the financial year.

He attended all the nine (9) Board of Directors' meetings held during the financial year ended December 31, 2017.

Ms. Caroline Ang Choo Bee, a Malaysian, female, aged 49, was appointed to the Board of Daibochi on July 16, 2012. She is an Independent Non-Executive Director and the Chairperson of the Audit Committee. Ms. Caroline Ang is also a member of the Nomination Committee, Remuneration Committee and Risk Management Committee.

She is a Chartered Accountant of the Malaysian Institute of Accountants, a Fellow of the Association of Chartered Certified Accountants, United Kingdom and an associate member of the Malaysian Institute of Chartered Secretaries and Administrators.

After obtaining the ACCA qualification, she gained extensive experience while being attached to the Audit and Corporate Recovery and Insolvency departments of Ernst & Young, Kuala Lumpur. She gained further experience in finance and business while holding the position of Accountant in Honeywell Engineering Sdn Bhd, a fully owned subsidiary of Honeywell Inc., a Fortune 100 Public Listed Company in the USA.

Ms. Caroline Ang also gained experience in the global shared services sector when she held the position of Senior Accountant in the Global Credit and Treasury Services Department of Honeywell Inc., based in Malaysia. She is currently a Partner of CW Integrated Consultancy Services, a management firm in Kuala Lumpur.

She has no family relationship with any Director and/or major shareholder of Daibochi and has no conflict of interest with the Company. She does not hold any directorship in other public companies and listed issuers. Ms. Caroline Ang has not been convicted of any offence (other than traffic offences, if any) within the past five (5) years or been imposed with any public sanctions or penalties by the relevant regulatory bodies during the financial year.

Ms. Caroline Ang attended all the nine (9) Board of Directors' meetings held during the financial year ended December 31, 2017.

Mr. Faris Salim Cassim, an Australian, male, aged 43, was appointed to the Board of Daibochi on September 1, 2017 as an Independent Non-Executive Director. He is also a member of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee.

He holds Bachelor of Laws and Bachelor of Commerce degrees from the University of Western Australia, Australia. Mr. Faris Cassim practiced as a solicitor in Sydney, Australia specializing in corporate and M&A law, and then in corporate finance with major financial institutions, also in Sydney, Australia.

Mr. Faris Cassim's past experience includes working as a CFO and Director for a healthcare technology start-up. He has extensive experience and knowledge in corporate and M&A law, corporate finance and equity capital markets. Mr. Faris Cassim is currently a Director of Novis Pte. Ltd, which is a Private Investment and Business Advisory Services company based in Singapore.

He has no family relationship with any Director and/or major shareholder of Daibochi and has no conflict of interest with the Company. He does not hold any directorship in other public companies and listed issuers. Mr. Faris Cassim has not been convicted of any offence (other than traffic offences, if any) within the past five (5) years or been imposed with any public sanctions or penalties by the relevant regulatory bodies during the financial year.

Since his appointment, Mr. Faris Cassim has attended all the Board of Directors' meetings held during the financial year ended December 31, 2017.

Profile of Key Senior Management

Ms. Tan Gaik Hong, a Malaysian, female, aged 62, was appointed to the position of General Manager of Corporate & Finance on January 1, 2008.

She is an accountant by profession, being a Fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. She started her career with Coopers & Lybrand, Penang in 1974 and was in their Melaka office from 1977 until 1990. She has many years of working experience in the fields of accounting, auditing, secretarial and taxation.

She joined Daibochi in 1990 as the Company Secretary, a role which she is still holding currently. She has been the Head of Corporate and Finance since 1990 and oversees the corporate, financial, legal affairs, investor relations as well as treasury functions.

Ms. Tan has no family relationship with any Director and/or major shareholder of Daibochi and has no conflict of interest with the Company. She does not hold any directorship in public companies and listed issuers. She has not been convicted of any offence (other than traffic offences, if any) within the past five (5) years or been imposed with any public sanctions or penalties by the relevant regulatory bodies during the financial year.

Mr. Chang Chee Siong, a Malaysian, male, aged 45, was appointed to the position of General Manager, Marketing and Sales on January 13, 2014.

He holds a Master in Manufacturing and Production Management from Wawasan Open University and is a Chartered Marketer from the Chartered Institute of Marketing (UK). Mr. Chang joined the Company in 1994 and was appointed as the Head of Department, Marketing and Sales in 2006. He has extensive experience in sales and marketing.

Mr. Chang has no family relationship with any Director and/or major shareholder of Daibochi and has no conflict of interest with the Company. He does not hold any directorship in public companies and listed issuers. He has not been convicted of any offence (other than traffic offences, if any) within the past five (5) years or been imposed with any public sanctions or penalties by the relevant regulatory bodies during the financial year.

Mr. Lai Chin Siong, a Malaysian, male, aged 48, was appointed to the position of General Manager, Operations on January 13, 2014.

He holds a Bachelor in Accounting and Financial Management from Universiti Sains Malaysia. Mr. Lai joined Daibochi in 1996 and has been the Head of Production since 2008. He has 21 years of working knowledge and experience in the manufacturing industry.

Mr. Lai has no family relationship with any Director and/or major shareholder of Daibochi and has no conflict of interest with the Company. He does not hold any directorship in public companies and listed issuers. He has not been convicted of any offence (other than traffic offences, if any) within the past five (5) years or been imposed with any public sanctions or penalties by the relevant regulatory bodies during the financial year.

Mr. Mohammad bin Hashim, a Malaysian, male, aged 48, was appointed to the position of Deputy General Manager, Product Development and Technical on January 13, 2014. He has held the position of Head of Department, Product Development and Technical since 2000.

Mr. Mohammad holds a degree in Bachelor of Science (Hons.), majoring in Chemistry from University of Malaya. He joined the Company in June 1993 as a Production Executive and has been with Daibochi for 24 years. He has extensive experience in converting technology and is responsible for the development of the Company's Technical/R&D department, which is highly regarded by our key customers.

He has no family relationship with any Director and/or major shareholder of Daibochi and has no conflict of interest with the Company. He has not been convicted of any offence (other than traffic offences, if any) within the past five (5) years or been imposed with any public sanctions or penalties by the relevant regulatory bodies during the financial year.

Chairman's Statement

Dear valued shareholders,

I am both elated and honoured to assume the role of Chairman of Daibochi Plastic and Packaging Industry Berhad (Daibochi or the Group). Before continuing, I would like to extend my deepest gratitude to our former Chairman and my friend P. James Edwin who has overseen the Group's illustrious history since 2003.

I look forward to work alongside my entire team at Daibochi for the coming years, as we strive for greater achievements and reinforce our position as a leading player in the flexible packaging industry.

2017 Economic Review

The global economy grew 3.7% in 2017 (2016: 3.2%) driven by recovery in investments, rebound in global trade, higher industrial production, and rising business and consumer confidence. The strengthening of the global economy is broad based with around 120 economies seeing an uptick in gross domestic product (GDP) growth.

At home, the Malaysian economy grew 5.9% in 2017 (2016: 4.2%) as the agriculture sector recovered from a contraction in the previous year, while the services and manufacturing sectors expanded at a faster pace. The mining and construction sectors saw slower growth in the year under review.

Meanwhile, global commodity prices recovered as oil output cuts by major producers reduced global oil inventories, which led to an increase in crude oil prices. The resulting resin price escalations posed cost challenges to various players in the manufacturing supply chain, which spurred a renewed focus on operational and cost optimisations.

Additionally, the Ringgit strengthened against the US Dollar which was attributed to higher crude oil prices, expectations for a higher interest rate environment in Malaysia, and the United States administration's current stance of favouring a weaker currency.

Corporate Developments

Daibochi continued to implement the strategies necessary to reinforce its position in Southeast Asia and the Australia and New Zealand region. These initiatives would ensure that the Group is positioned strongly for sustainable and long-term business growth.

• Commencement of Myanmar Operations

The Group's 60%-owned subsidiary, Daibochi Packaging (Myanmar) Company Limited (Daibochi Myanmar), commenced operations on July 1, 2017, and is off to a good start. Daibochi Myanmar's shareholders are the Group's wholly-owned subsidiary Daibochi Flexibles Sdn Bhd and Myanmar Smart Pack Industrial Company Limited.

Daibochi Myanmar operates a production facility in Yangon, Myanmar, which mainly serves local food and beverage (F&B) and fast moving consumer goods (FMCG) brands.

Alongside robust economic growth, Myanmar's liberalisation of investment laws should gradually see the entry of more multinational corporations in the F&B and FMCG sectors. This would lead to more business opportunities for Daibochi Myanmar going forward, allowing it to leverage on Daibochi's experience in collaborating and growing with major F&B and FMCG brands, and ride the wave of rapid growth in consumer spending in Myanmar.

Corporate Governance and Sustainability

Daibochi places great emphasis on adhering to strict standards of corporate governance and business conduct.

As testament to our Group's commendable record on implementing sound corporate governance practices, Daibochi was ranked among the Top 100 Companies for Overall Corporate Governance and Performance as well as among the Top 100 Companies for Good Disclosures at the MSWG-ASEAN Corporate Governance Recognition 2017 event.

The Minority Shareholder Watchdog Group also awarded Daibochi with the Merit Award for Best AGM in 2017 for companies with market capitalisation below RM1.0 billion.



Chairman, Heng Fu Joe

As a responsible corporate citizen, the Group strives to leave a positive impact through the four pillars of our sustainability framework, consisting of people/employees, environmental conservation, sustainable business growth, and communities.

The Group reports on the management of sustainability matters, as outlined in the Sustainability Statement in this Annual Report.

FY2018 Outlook

The global economy is set to maintain its momentum and is expected to achieve solid growth of 3.9% in 2018.

Domestically, the Central Bank of Malaysia forecasted solid GDP growth of between 5.5% to 6.0% for Malaysia in 2018, which should allow for a stable business environment and consumer spending.

Meanwhile, Myanmar's economy is expected to pick up, with GDP expected to expand at about 7.6% in 2018, supported by the agriculture sector, exports, and higher fiscal spending.

Prospects for the consumer flexible packaging industry in Southeast Asia remain optimistic as consumer spending in the region's major economies are expected to rise.

The stronger Ringgit versus the US Dollar could result in exporters having to deal with less competitive pricing for their products overseas. However, a major component of the Group's raw materials cost are in U.S dollars, which serves as a natural hedge to fluctuations in the exchange rate between the Ringgit and U.S. Dollar.

Overall, I am confident that Daibochi will deliver strong results in FY2018 on higher contribution from the Malaysia and Myanmar operations, and continued efforts to enhance operating efficiency and reduce wastage.

Appreciation

My utmost appreciation goes to the Board of Directors, Management, and all employees of Daibochi for their commitment in the Group's continued growth. The Group's successes to date could not have been achieved without your contributions.

Additionally, I would like to express my thanks and appreciation to Datuk Wira Wong Soon Lim and Mr. Low Chan Tian, for their services and contributions that have shaped the Group into its stature today as one of the region's leading companies in our industry. Both have retired from their respective posts as Executive Directors of the Company.

I am also happy to welcome on board Faris Salim Cassim as Independent Director. He had also been appointed as a member of Daibochi's Nomination Committee, Audit Committee, Risk Management Committee, and Remuneration Committee. I am confident that his extensive corporate experience would grant the Management team an edge, as we steer the Group towards achieving its long-term growth aspirations.

I would also like to extend my sincere gratitude to our business partners, associates, customers, and valued shareholders for their steadfast support for Daibochi. We look forward to not only improve the Group's operations and business performance, but also record new milestones in the following years.

Sincerely,

Heng Fu Joe
Chairman

April 4, 2018



Chairman, Heng Fu Joe at the MSWG Award ceremony in December 2017.
Winner: Merit Award for Best AGM 2017

Management Discussion and Analysis

Dear valued shareholders,

It is my privilege to present to you the sterling report card of Daibochi Plastic and Packaging Industry Berhad (Daibochi or the Group) in the financial year ended December 31, 2017 (FY2017), as we made good our intention to expand the breadth of our operational capability and customer reach.

Our diligent efforts in this regard have culminated in the successful commencement of our consumer packaging plant in Yangon, Myanmar on July 1, 2017 through Daibochi Packaging (Myanmar) Company Limited (Daibochi Myanmar), and marks a new era of growth for the Group.

Owing to the Management and operations teams' commitment, the integration process of Daibochi Myanmar into the overall group operations reported smooth progress. This enabled Daibochi Myanmar to contribute positively to our financial performance since the third quarter of 2017.

Beyond serving the requirements of the local market, Daibochi Myanmar is positioned to become a major producer of high-quality packaging in Myanmar. To this end, in October 2017, the plant secured the ISO 9001:2015 accreditation and the Hazard Analysis and Critical Control Point Food Safety Management System (HACCP FSMS) certification. These quality and food safety certifications now allow Daibochi Myanmar to enter the qualification process with multinational corporations (MNCs).

In December 2017, Daibochi Myanmar secured approval from the Myanmar Investment Commission (MIC) to export goods outside of Myanmar. In the same month, the Myanmar plant delivered seven containers of flexible packaging to various customers in Malaysia, highlighting Daibochi Myanmar's low-cost advantage that enables it to target cost-sensitive regional customers.

Additionally, Daibochi Myanmar received notification from the MIC in December 2017 on the commencement of its 5-year income tax waiver from November 22, 2017. The tax waiver complements the Group's strategy to reinvest profits into Daibochi Myanmar over the next few years to enhance its manufacturing operations by investing in machinery and capacity upgrades.

Financial Review

These operational milestones, alongside nurturing the growth of existing clientele and enhancing efficiency, enabled Daibochi to achieve strong expansion in financial performance. The Group delivered its best-ever revenue of RM388.6 million in FY2017, growing 4.7% from RM371.2 million in the previous year, mainly attributed to contributions of RM14.9 million from Daibochi Myanmar in the third and fourth quarters of 2017.

Export revenue remained the major topline contributor with RM213.0 million in FY2017, increasing 4.4% from RM204.0 million previously, due to contributions from the new Myanmar plant. The growth in exports was muted by temporary disruptions to a key customer's manufacturing line in the Philippines in the second quarter of 2017, which has since resumed operations. Export sales made up 54.8% of total Group revenue in FY2017, largely unchanged from 55.0% a year ago.



Daibochi emerged on stronger footing in the consumer packaging industry in FY2017. This was demonstrated not only in the continued growth in organic sales, but also the successful expansion of our manufacturing footprint to high-growth Myanmar.

Lim Soo Koon
Managing Director

Meanwhile, domestic sales made up the remaining RM175.6 million of FY2017 group revenue, increasing 5.0% compared to RM167.2 million in the past year from increased orders from various F&B customers.

Group operating profit increased 15.3% to RM37.6 million from RM32.6 million previously attributed to new contributions from the Myanmar plant, better sales mix, improved operating efficiency and better wastage control.

Similarly, group profit before tax (PBT) rose 19.3% to RM35.7 million from RM30.0 million in the past year in line with the better performance in operations, together with higher contribution from an associate which is engaged in property development amounting to RM1.2 million compared to RM0.1 million previously. Daibochi Myanmar recorded a PBT of RM3.5 million in FY2017.

Group net profit attributable to owners of the company was 5.9% higher at RM26.0 million compared to RM24.5 million in the past year in line with the higher topline and PBT. The growth in profit was partially offset by a higher effective tax rate, due to lower reinvestment allowances compared to the previous year.

Group shareholders' equity rose 6.2% to RM200.9 million from RM189.2 million previously. The Group saw an increase in borrowings to RM69.9 million at end-FY2017 compared to RM54.0 million at end-FY2016, mainly to fund the acquisition of its 60% interest in Daibochi Myanmar and higher working capital requirements on increased business volume.

Net gearing stood at 0.26 times at end-FY2017, up from 0.20 times at end-FY2016. Even so, the net gearing remains at a conservative level, and provides the Group with a significant degree of flexibility.

Corporate Development

On June 28 2017, Daibochi completed the following corporate exercise:

- 2-for-10 bonus issue of 54.6 million new ordinary shares, and
- 1-for-10 free warrants issue of 27.3 million 5-year warrants with exercise price of RM2.50.

Upon completion of the bonus issue of shares, the Group had a total of 327.9 million shares listed on the Main Market of Bursa Malaysia Securities Berhad, with an enlarged share capital of RM163.9 million.

Capital Expenditure

The Group incurred RM4.4 million in capital expenditure in FY2017 mainly for the acquisition of new machinery and equipment.

Dividends

The Group paid four interim single-tier dividends to shareholders in respect of FY2017 amounting to a total of 4.55 sen per share, after adjusting for the bonus issue of 2 shares for every 10 ordinary shares, which was completed on June 28, 2017. Total dividend payout amounted to RM14.9 million, representing 61.6% of FY2017 net profit excluding contributions from Daibochi Myanmar.

Effective from FY2017, the Group's dividend policy was revised to distribute at least 60% of group net profit to shareholders, excluding net profit contributions from Daibochi Myanmar. This will allow Daibochi Myanmar to reinvest earnings to place Daibochi Myanmar on a stronger footing by enhancing its capacity and capabilities in building its market presence in Myanmar and Southeast Asia (SEA).

Growth Strategies

Daibochi will continue to take measures to boost its presence in SEA as well as the Australia and New Zealand (ANZ) region. In addition to efforts in growing the topline, the Group will also maintain stringent control on costs to further enhance its bottom line performance.

The following steps outline how Daibochi aims to achieve stronger growth in the financial year ending December 31, 2018 and onwards:

- **Achieving greater exports to SEA and the ANZ region**

The Group is set to commence delivery of flexible packaging in pouch form – a higher value product - to a MNC customer for its FMCG brand in the ANZ region and Thailand in mid-2018. This contract reflects positively on our capabilities in delivering innovative solutions that creates value for our clients.

The Group is also working towards commencement of exports to a major MNC F&B customer in Indonesia.

We are committed to building our profile in SEA and the ANZ region, and leverage on opportunities to supply packaging for renowned consumer brands.

- **Pursuing growth at Daibochi Myanmar**

Daibochi Myanmar is eyeing further market share in the F&B and FMCG sectors in Myanmar, as flexible packaging demand typically accelerates in line with uptrend in consumer spending and affluence. In this regard, our Myanmar operations has an exciting opportunity of proximity to regional countries to target new business in the region.

The Myanmar plant has already commenced supply to several local companies, including a prominent beverage company in the country. Going forward, Daibochi Myanmar is currently actively engaged in various stages of talks to secure contracts from new customers as well as larger orders from existing clients to expand its product portfolio.

There are also opportunities to transfer technology and expertise from our Malaysia operations to the Myanmar plant. For instance, the ability of Daibochi Myanmar to procure high-speed film from our Malaysia operations was crucial in securing a contract with a major beverage brand in Myanmar.

Daibochi Myanmar's low-cost manufacturing base arising from efficient plant operations and stable labour participation also enhances our competitiveness in the region. We intend to gain momentum in this aspect to ensure sustainable performance in the future.

- **Investing in new capacity and capabilities**

The Malaysia plant and the Myanmar plant will be allocating RM10.5 million and USD1.7 million respectively in 2018 to acquire new machinery. The new machinery will increase our capacity, allowing us to fulfill larger anticipated orders at both plants.

- **Enhancing Efficiency**

The wastage control programme implemented at our Malaysia operations, which focuses on workforce education and engagement, has demonstrated significant progress in reducing production wastage. We would continuously engage with our workforce to identify opportunities to strengthen their skills towards achieving greater efficiency.

Additionally, the planned purchase of new machinery will result in better efficiency of our manufacturing operations. We also constantly review our manufacturing processes and are committed to the implementation of best practices.

The Group is cognisant of market challenges such as higher raw material prices, currency exchange rate volatility, and regulatory changes in the markets in which we operate.

Nevertheless, we are optimistic of delivering stronger performance as we carry out these measures to strengthen our position as one of the leading consumer flexible packaging player in SEA and the ANZ region.

Sincerely,
Lim Soo Koon
Managing Director

April 4, 2018