Corporate Governance Overview Statement

The Board firmly believes that high standards of corporate governance are essential to the sustainability of the Group's business and the enhancement of shareholder value. In this regard, the Board is committed to ensure that the highest levels of business integrity, professionalism and ethical conduct are observed and practised throughout the entire Group, with the objective of realizing long-term value for all shareholders and stakeholders.

This Corporate Governance Overview Statement presents the key aspects/overview of our corporate governance framework and practices based on the corporate governance Principles set out in the Malaysian Code on Corporate Governance (MCCG). This statement is to be read together with our Corporate Governance Report (CG Report) which provides the application of the Practices in the MCCG during the financial year. The CG Report is available on Daibochi's corporate website at www.daibochi.com (investor relations section) as well as via an announcement on Bursa Malaysia.

The Board is pleased to report that it had continued to uphold and practise good corporate governance in its management of the affairs of the Group during the financial year. Our efforts have been recognised as the Company 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 Minority Shareholder Watchdog Group (MSWG)-ASEAN Corporate Governance Recognition 2017 event.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

Roles and Responsibilities

1.1 The Company is steered by an experienced, dynamic and well balanced Board comprising five (5) competent professionals with diverse expertise in accounting, business, financial, engineering, legal, corporate, management, business development and marketing that add value to the Group. The Board provides effective leadership by setting appropriate values and strategic direction to ensure that the objectives of the Group are achieved.

1.2 The Board has established clear roles and responsibilities and each Board member has a fiduciary duty to discharge his/her duties in the best interests of the Group at all times. The principal responsibilities of the Board include:

- Promote good corporate governance culture within the Group;
- Review, challenge and decide on Management's proposals for the Group and monitor its implementation;
- Ensure that the strategic plan of the Group supports long-term value creation;
- Supervise and assess Management's performance to determine whether the business is being properly managed;
- Ensure that there is a sound risk management framework and internal control systems in place to safeguard shareholders' investments, the Group's assets and the interest of other stakeholders;
- Succession planning of the Board and senior management;
- Ensure that there are effective communication policies with stakeholders; and
- Ensure integrity of the Group's financial and non-financial reporting.

1.3 The Board has delegated certain functions to various Board Committees (BCs), namely, the Audit Committee (AC), Nomination Committee (NC), Remuneration Committee (RC) and Risk Management Committee (RMC). The BCs assist the Board in discharging its duties efficiently and have their own established charters/terms of reference in place, which are reviewed from time to time. The committees are chaired by an Independent Non-Executive Director (INED) of the Company to promote good governance and transparency.

1.4 The Company's Board Charter sets out the Board's strategic intent and outlines the Board's roles and responsibilities. The Board Charter was reviewed in December 2017 and revisions were approved in line with the Practices in the MCCG to provide clarity and enhance certain provisions in accordance with the Board's objectives. The Board Charter is available on the Company's corporate website at www.daibochi.com.

Chairman and Managing Director

1.5 The position of Chairman and the Managing Director are held by two (2) individuals with distinct and separate functions to ensure an optimal balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman works closely with the Managing Director and Company Secretaries on matters to be tabled at meetings and fosters constructive interactions with the shareholders at the general meetings.

1.6 The Chairman, an INED also chairs the NC, RC and RMC and is the Senior Independent Director of the Board. He is primarily responsible for the orderly conduct and workings of the Board and the effectiveness of its governance process. The Managing Director makes strategic proposals to the Board, develops the Group's business in accordance with strategies, policies, budgets and business plans as approved by the Board; oversees operations and provides guidance and leadership to employees of the Company.

Board Conduct

1.7 The Board drives the leadership in governance standards by promoting a strong culture of integrity, good business conduct and ethical behaviour. Management ensures that corporate governance practices are implemented throughout the entire organisation. The Company's Code of Conduct and Ethics governs the standards of ethics and good conduct expected of Directors and employees respectively. The Directors' Code of Ethics ensures that Board members act in accordance with the principles of sincerity, integrity, accountability and social responsibility.

1.8 The Company has a *Whistleblowing Policy* to provide an avenue for employees and stakeholders to report genuine concerns about unethical behaviour and improper conduct within the Company, in good faith and without fear of reprisal. This policy was revised in November 2017 to further enhance the internal control system and procedures.

The codes and policy can be found on the Company's corporate website at www.daibochi.com.

1.9 The Board, through the AC, reviews related party transactions (RPT), recurrent related party transactions (RRPT) and possible conflict of interest (COI) situations on a quarterly basis. This is to ensure that transactions are undertaken in the best interest of the Company or Group, fair, reasonable, on normal commercial terms and not detrimental to the interest of the minority shareholders. A Director who has an interest in a transaction must abstain from deliberating and voting on the relevant resolution, in respect of such transaction at the Board meeting and at the general meeting convened to consider the said matter. There were no significant RPTs, RRPTs and COI situations which arose within the Company or Group, including any transaction, procedure or course of conduct that raised questions of management integrity during the financial period under review.

1.10 Directors and principal officers of the Company who have access to material/inside information which has not been disclosed to Bursa Malaysia and the investing public are prohibited from dealing in the Company's securities while in possession of this information. During the year, the Company Secretaries advised the Directors on trading restrictions i.e. dealings during open and closed periods in accordance with Bursa Malaysia's Listing Requirements (Listing Requirements). Each Director also has a duty to maintain the confidentiality of information that he/she obtains by virtue of his/her position as a Director and is bound by the Company's *Corporate Disclosure Policy*.

Board Meetings

1.11 Board meetings are held at quarterly intervals and additional meetings are convened, when necessary to deliberate particular matters. Directors may convey their views to the Chairman or the Company Secretaries or participate by means of audio or visual communication in accordance with the 3rd Schedule of the Companies Act 2016 if he/she is unable to attend in person.

1.12 Board meetings are structured with a pre-set agenda. The Board meeting agenda and materials are circulated at least five (5) business days in advance of the meetings to ensure that members are fully apprised of matters arising to facilitate constructive Board discussions. Any additional information requested by Directors will also be made available. The Board has a formal schedule of matters reserved to it for deliberation and decision such as the approval of annual and interim results, major capital expenditure and investments, budgets, strategic issues affecting the business of the Group, corporate policies and procedures and corporate plans.

1.13 In addition, on important matters which require the Board's decisions, prior briefings, if necessary, are provided or conveyed by the Executive Directors (EDs) to other Board members to ensure full knowledge and understanding, thus enhancing the members' comprehension of Board papers before deliberations. External advisors may be invited to attend Board meetings to advise and/or furnish the Board with professional insight, information and clarification needed on relevant items on the agenda.

1.14 At the Board meetings, Directors receive briefings from Management pertaining to the operational and financial performance of the Group, updates on the Group's competitors, risks, opportunities and challenges faced and industry developments. These enable Directors to make a balanced and informed assessment of matters to arrive at a considered decision. Nine (9) Board meetings were held in 2017 and all the Directors fulfilled the requirement stipulated by Bursa Malaysia in relation to their attendance. Directors also attended the meetings of the BCs. The frequency of Directors' attendance at the Board meetings is set out in the Profile of Directors on pages 11 and 12 of this Annual Report.

1.15 All proceedings/minutes of the meetings are prepared and circulated in a timely manner to reflect the decision making process of the Board appropriately. Minutes of Board and BCs' meetings are circulated to members for their perusal prior to confirmation of the minutes at the following meetings and are signed by the respective Chairpersons in accordance with the Company's Constitution. Minutes of the AC's proceedings are also circulated to all Board members for notation.

1.16 Decisions of the Board and BCs may also be obtained through Directors' Circular Resolutions, where appropriate. Key matters requiring the Board/BCs' approvals are reserved for resolution at the respective meetings to facilitate discussions amongst the members and Management as part of good corporate governance.

Access to Information

1.17 Directors have access to all information pertaining to the Group and may seek clarification from Management and the Company Secretaries in the furtherance of their duties. Procedures are also in place in the Board Charter for the Board/individual Director to seek independent professional advice at the Company's expense, if necessary. Neither the Board nor the individual Directors sought independent professional advice during the reporting period.

Time Commitment

1.18 Directors are expected to notify the Chairman and Company Secretaries before accepting any new directorship, including an indication of time that they will spend on their new appointment. They must not hold directorships in more than five (5) public listed companies. None of the Directors held any directorship in other public listed companies during the financial year. The schedule of Board meetings and the Annual General Meeting (AGM) is planned well in advance and distributed to the Board members in the 4th quarter of the preceding year. This is to facilitate the Directors' time planning and to enable them to fit the meetings into their respective schedules. The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles on the Board and BCs.

Professional Development and Induction

1.19 The Board believes that continuous training for the Directors is essential to enable them to discharge their duties effectively. The Directors are empowered by the Board to evaluate and assess their own training needs on a continuous basis, whilst the Company Secretaries assist with the co-ordination of continuous training for Directors. During the financial year, the Directors assessed their own training needs and informed the Company Secretaries of training programmes that they wish to attend to upgrade themselves. Moving forward, the Directors will continue to review and evaluate their training needs to keep abreast of latest technical, industry and general economic developments to further enhance their professional skills and knowledge.

1.20 The list of trainings attended by the Directors in 2017 is set out below:

Mr. Heng Fu Joe	➢ "Key Audit Matters" ➢ "MIA Town Hall on Audit Exemption" ➢ "Impact of Technological Wave & Fintech on Accountants and Auditors" ➢ "Big Data Analytics Towards a Data Driven Organisation" ➢ "Capital Market Conference 2017" ➢ "Global Focus (Audit Software)" ➢ "Global Focus Audit Methodology" ➢ "Global Focus IT Briefing" ➢ "2017 World Conference (Amsterdam)" ➢ "2017 Business And Tax Seminar" ➢ "Technical Updates On New Accounting And Auditing Standards" ➢ "Reverse Acquisition" ➢ "Malaysian Code on Corporate Governance" ➢ "MFRS 15 Revenue from Contracts with Customers" ➢ "Leadership: Managing Yourself And Leading Others (Phnom Penh, Cambodia)"
Mr. Lim Soo Koon	"Training on flexographic printing machine"
Mr. Low Geoff Jin Wei	"Financial Modelling in Excel"
Ms. Caroline Ang Choo Bee (Ms. Caroline Ang)	➢ "Strategising HR for Performance Excellence" ➢ "GST Conference 2017" ➢ "An anatomy on income tax, GST, Company law implications riding on 2018 Budget Proposals"
Mr. Faris Salim Cassim (Mr. Faris Cassim)	"Mandatory Accreditation Programme"

1.21 In 2017, the Company Secretaries updated the Board on the MCCG and the Companies Act 2016. During the year, Mr. Faris Cassim who was appointed as an INED was briefed by Management and furnished with induction materials to enable him to gain an understanding of the Group's business, operations, organisation structure, corporate policies and corporate governance matters. The Company Secretaries maintain a complete record of the trainings attended by the Directors.

Company Secretaries

1.22 The Directors have access to the advice and services of qualified, experienced and competent Company Secretaries to enable them to discharge their duties effectively. The Board acknowledges the fact that the Chairman is entitled to the positive support of the Company Secretaries in ensuring the effective functioning of the Board. The Company Secretaries ensure that the Board members are kept updated on all relevant corporate laws, rules, regulations, Listing Requirements and corporate governance developments. During the year, the Company Secretaries attended trainings to keep themselves updated on relevant laws, regulations and corporate governance matters. The appointment and removal of the Company Secretaries are within the purview of the Board. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board.

Sustainability

1.23 The Board is mindful that good sustainability practices are integral to the Group's long term business growth. To this end, the Board strives to embed a strong governance culture, socially responsible values and sound environmental practices throughout the Group. The Company's management of economic, environment and social matters for the financial year under review is reported in the Sustainability Statement in this Annual Report.

2. Board Composition

Balanced Board

2.1 The number of Directors shall not be less than two (2) and not more than nine (9) under the Company's Constitution. The current Board comprises a majority of INEDs: two (2) EDs and three (3) INEDs (including the Chairman). The Board is led by Mr. Heng Fu Joe (appointed as the Chairman on November 1, 2017). He is joined on the Board by Mr. Lim Soo Koon (Managing Director), Mr. Low Geoff Jin Wei (ED), Ms. Caroline Ang and Mr. Faris Cassim (INEDs).

2.2 Changes to the composition of the Board during the reporting period were as follows:
Mr. Faris Cassim was appointed as an INED on September 1, 2017.
Datuk Wira Wong Soon Lim and Mr. Low Chan Tian (EDs) retired on October 1, 2017.
Mr. P. James Edwin A/L Louis Pushparatnam (Chairman and INED) retired on November 1, 2017.

2.3 The Board is of the view that its composition, with an appropriate mix of INEDs and EDs is adequate for the effective discharge of its functions and responsibilities. The three (3) INEDs augment the Board's independence and bring objective perspectives/judgment, whilst the EDs provide strong operational and financial insights into the business allowing well considered decisions to be made.

2.4 The Board believes that Independent Directors may over time develop significant insights in the Group's business and operations and can continue to provide valuable contributions to the Board. Hence, independence of the Independent Directors must be based on their professionalism, integrity and objectivity and not merely on form i.e. the tenure/number of years that they have served on the Board. In the event the Board decides to retain any Independent Director who has served beyond nine (9) years, the Board will justify and seek shareholders' approval in accordance with Practice 4.2 of the MCCG. None of the INEDs have served as Independent Directors for more than nine (9) years since their date of appointment.

Board Diversity

2.5 The Board recognizes the value of having a balanced Board with members from diverse backgrounds as this would offer different viewpoints/insights which are essential to the attainment of the Group's strategic objectives. In this regard, the NC is guided by the *Board Diversity Policy* (available on the Company's website at www.daibochi.com) in ensuring that equal opportunity is provided based on merit and that no person is discriminated against on grounds of age, ethnicity, gender, religion and marital status in its recruitment and succession planning process.

2.6 The Board acknowledges the role that women with the right competencies and skills can play in contributing to diversity of perspectives in the Boardroom and senior management. In this regard, the Board has a female Director, Ms. Caroline Ang (INED) and two (2) women in the Company's seven (7) member strong senior management team (excluding the EDs).

2.7 The Board is of the view that gender is but one aspect of diversity and whilst it is important to promote gender diversity, the selection criteria based on an effective blend of competencies, experience and skills should remain a priority. The current make-up of the Board reflects our commitment to diversity in age, gender, nationality, cultural background, skills and knowledge. On April 4, 2018, the Board revised the *Board Diversity Policy* and set the target of having at least one (1) woman Director on the Board. The Board is committed to take the necessary measures, through the NC, towards promoting gender diversity and appointing the best qualified person based on merit when changes in the Boardroom are contemplated in future.

Nomination Committee

2.8 The NC comprises exclusively of INEDs and is chaired by the Senior Independent Director. Mr. Faris Cassim was appointed as a NC member on September 1, 2017. The NC's authority and duties are governed by its terms of reference, which are available on the Company's corporate website at www.daibochi.com. The NC's functions include recommending the appointment of Directors to the Board and BCs and conducting assessment of the Board, BCs and individual Directors to assess their effectiveness and contribution.

2.9 The NC adheres to a formal and transparent procedure for the nomination and appointment of new Directors. Prospective candidates are identified from a number of sources, but not limited to Directors' or Management's contacts/recommendations. All appointments are based on merit, with due consideration given to age, gender, nationality and ethnicity to augment diversity in the Boardroom. The NC will also assess whether the candidate is able to devote sufficient time to effectively discharge his/her role as a Director. The NC's assessment process of the Board's composition, BCs and individual Directors involves having the Directors complete questionnaires, which will then be collated by the Company Secretaries and forwarded to the NC members for their evaluation and sharing with the Board members.

2.10 The NC undertook the following key activities in respect of the financial year:
- (a) Assessed Mr. Faris Cassim's suitability to be appointed as an INED and member of the BCs before recommending to the Board for approval;
- (b) Assessed Mr. Heng Fu Joe's appointment as the new Chairman of the Board, RC, NC and RMC and Ms. Caroline Ang's appointment as the AC Chairperson due to Mr. James Edwin's (former Chairman and INED) retirement;
- (c) Advised the Board on the composition of the Board and BCs as a result of the retirements of the former EDs and former Chairman;
- (d) Assessed the Board's composition and balance, effectiveness of the Board as a whole, the BCs, performance of each individual Director, assessment of independence of the INEDs and Board diversity; and
- (e) Reviewed the NC's terms of reference in view of the MCCG and proposed revisions to the Board for approval.

2.11 The NC also assessed Mr. Low Geoff Jin Wei and Mr. Faris Cassim who are due for re-election pursuant to Articles 103 and 94 of the Company's Constitution at the forthcoming AGM. Having considered the review by the NC, the Board is satisfied that both Directors have met the Board's expectations and exemplified their commitment as reflected by their professional conduct and valuable contributions to the Board. The said Directors have also allocated sufficient time and attention to the affairs of the Company and have carried out their fiduciary duties professionally. As an INED, Mr. Faris Cassim has demonstrated independent and objective judgment to Board deliberations to ensure sufficient check and balance. Hence, the Board with the abstention of the two (2) Directors unanimously recommends that the shareholders vote in favour of the re-election of the above Directors at the Company's AGM. Please refer to Practice 5.1 of the CG Report for further information.

2.12 The Board regards succession planning as an important aspect of corporate governance. In this regard, the Board is focused in ensuring that individuals with the appropriate skills and experience are appointed to the Board and senior management. The Board, via the NC will continue to monitor succession planning to ensure continuity of talent as well as progressive and orderly renewal of the Board and senior management in achieving the Group's vision and mission.

Detailed disclosures on the NC and its assessments are set out in relation to Practices 4.4 to 5.1 of the MCCG in the CG Report.

3. Remuneration

3.1 The RC consists of INEDs and its duties include reviewing and recommending matters relating to the remuneration of the Board and senior management. During the year, our Managing Director, Mr. Lim Soo Koon resigned as a member of the RC in line with the MCCG guidance to ensure the RC's independence. Mr. Faris Cassim was appointed as a member of the RC on September 1, 2017. The RC's terms of reference, including its policy on Directors and senior management's remuneration are available on Daibochi's corporate website at www.daibochi.com.

3.2 The objective of the remuneration policy is to provide a fair and sufficiently competitive remuneration package to attract, motivate and retain high calibre Directors and senior management members. The level of remuneration is determined by various factors, including the Group's performance, industry practices and the individual's responsibilities, performance and contributions in the achievement of strategic/corporate objectives. Directors' remuneration is reviewed annually to ensure that it is reflective of the contribution and responsibilities of the Director concerned. None of the Directors are involved in deciding their own remuneration.

3.3 The EDs do not receive Directors' fees from the Company and their compensation comprises salaries, bonuses, other emoluments and benefits-in-kind. INEDs receive meeting allowance, monthly allowance, yearly AC allowance (benefits) and Directors' fees. The Board will be seeking shareholders' approval for the fees and benefits paid/payable to INEDs at the Company's 45th AGM pursuant to Section 230(1) of the Companies Act 2016.

3.4 The RC carried out the following key activities in respect of the financial year:
(a) Recommended to the Board the remuneration of the EDs and INEDs' fees; and
(b) Reviewed the RC's terms of reference in view of the MCCG and proposed revisions to the Board for approval.

3.5 The remuneration of Directors of the Company (including the remuneration for services rendered to the Company as a Group, if any) for the financial year, on a named basis is as follows:

	Fees RM'000	Salaries RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-In-Kind RM'000	Total RM'000
Executive Directors						
Mr. Lim Soo Koon	-	360	615	186	24	1,185
Mr. Low Geoff Jin Wei	-	276	324	114	16	730
Datuk Wira Wong Soon Lim *(Retired as ED on October 1, 2017)*	-	68	-	8	-	76
Mr. Low Chan Tian *(Retired as ED on October 1, 2017)*	-	68	-	8	-	76
Non-Executive Directors						
Mr. Heng Fu Joe *(Appointed as Board Chairman on November 1, 2017)*	27	-	-	51	-	78
Ms. Caroline Ang *(Appointed as AC Chairperson on November 1, 2017)*	19	-	-	45	-	64
Mr. Faris Salim Cassim *(Appointed as INED on September 1, 2017)*	6	-	-	15	-	21
Mr. P. James Edwin A/L Louis Pushparatnam *(Retired as Chairman and INED on October 1, 2017)*	-	-	-	70	3	73

3.6 In addition to the remuneration package, Directors also have the benefit of Directors' & Officers' Insurance to ensure that they are adequately covered against liabilities in the course of performing their professional duties.

3.7 The Board notes the requirement for disclosure of the top five (5) senior management's remuneration on a named basis and in bands of RM50,000 for corporate transparency and has considered the matter. The Board believes that such disclosure is not in the best interest of the Company/Group due to the highly confidential/sensitive nature of this information and concerns of key talent poaching in the specialised flexible packaging industry. The Board has disclosed the Company's top five (5) senior management's remuneration on a total basis and believes that it is adequate.

Detailed disclosures on the RC and its activities are provided in relation to Practices 6.1 to 7.2 of the MCCG in the CG Report.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

4. Audit Committee

Composition of the AC

4.1 The AC comprises three (3) members, all of whom are INEDs. The AC Chairperson, Ms. Caroline Ang is not the Chairperson of the Board, thus ensuring the overall effectiveness and independence of the AC. The primary objective of the AC is to assist the Board in ensuring proper corporate governance in fulfilling its fiduciary responsibilities, particularly relating to business ethics, policies and practices, financial management, risk management and internal controls. The AC carries out its functions and duties in accordance with its terms of reference set out in the AC Charter, which is available on the Company's corporate website at www.daibochi.com.

4.2 All the AC members are financially literate and are able to understand matters under the purview of the AC, including the financial reporting process. Mr. Heng Fu Joe and Ms. Caroline Ang are members of the Malaysian Institute of Accountants. Mr. Faris Cassim holds Bachelor of Laws and Bachelor of Commerce degrees. None of the AC members were previous partners or directors of the Company's existing external audit firm. The Board is of the view that the AC members have the necessary and appropriate expertise and skills to discharge their duties effectively.

Independence of External Auditors

4.3 The Company has established an appropriate and transparent relationship with its External Auditors (EA) through the AC. The *AC's Policy on the Suitability, Objectivity and Independence of External Auditors (AC's Policy on EA)* is intended to regulate the provision of services by the EA to ensure that the EA does not perform any service that may impair its independence. In upholding audit independence, the *AC's Policy on EA* stipulates that the former key audit partner shall observe a cooling-off period of at least two (2) years before being appointed as a member of the AC and this is in accordance with Practice 8.2 of the MCCG. The *AC's Policy on EA* is available on the Company's corporate website at www.daibochi.com.

4.4 The AC conducted the assessment in relation to the suitability, objectivity and independence of the EA for the financial year under review prior to recommending to the Board to seek shareholders' approval for the EA's re-appointment. Details of the AC's assessment are available in Section 2.3(a) of the AC Report. The Board considered the AC's annual assessment/evaluation and recommendation supporting the EA's re-appointment. Being satisfied with the performance, objectivity and independence of the EA, the Board approved the AC's recommendation on April 4, 2018 for the shareholders' approval to be sought at the 45th AGM on the re-appointment of Messrs Grant Thornton Malaysia as EA of the Company for the financial year ending 2018.

Audit Committee's Activities

4.5 The AC met five (5) times in 2017 and the matters deliberated included financial reporting matters, related party transactions and internal audit reports. The AC also reviewed its terms of reference and proposed revisions to the AC Charter in line with the MCCG. Furthermore, the AC assessed the performance of the EA and the Internal Auditors (IA) for the financial year. The AC met twice with the Company's EA and once with the IA, without the presence of Management members during the reporting period.

Professional Development

4.6 The AC members attended trainings during the financial year to keep themselves abreast of relevant developments, including in relation to finance, accounting, audit, tax and corporate governance. The programmes attended by Mr. Heng Fu Joe, Ms. Caroline Ang and Mr. Faris Cassim are set out in the Professional Development and Induction section above.

Moving forward, the AC members will continue to review their training needs to enhance their skills/knowledge in accounting and auditing standards, practices and rules to enable them to discharge their duties effectively.

Please refer to the AC Report for the detailed information of the AC, its composition and activities during the reporting period.

5. Risk Management and Internal Control Framework

5.1 The Board affirms its overall responsibility for the Group's risk management and system of internal controls, including reviewing its adequacy and effectiveness in line with its business objectives. The Board has established a sound risk management framework, including an ongoing process for identifying, evaluating, mitigating/managing and monitoring the significant risks faced by the Group. This framework is supported by internal control systems, comprising effective governance mechanisms, policies and procedures as well as checks and balances embedded in the Group's business process.

5.2 The Board is assisted by the RMC and AC in reviewing the effectiveness of the risk management and internal control systems. The RMC is chaired by Mr. Heng Fu Joe (INED) and comprises all Board members. Mr. Faris Cassim was appointed as a RMC member on September 1, 2017. The RMC supports the Board with risk governance and assists to identify, assess, manage and monitor key business risks to safeguard shareholders' investments and assets of the Group. The RMC carries out its functions and duties in accordance with its terms of reference available on the Company's corporate website at www.daibochi.com.

5.3 Risk areas representing challenges to the Group's business are classified into distinct categories i.e. Sales and Marketing; Operations; Human Resource; Finance; Management Information Systems; Fraud/Theft; Technology; Quality Assurance and Procurement. During the financial year under review, the RMC assessed the Group's risks and deliberated the key risks to be presented to the Board. The RMC also reviewed and revised its terms of reference in line with the MCCG.

5.4 The AC ensures that the internal audit function is effective and able to function independently. The objectives of the internal audit are to independently assess the system of internal controls established by the Management and to make appropriate recommendations in relation thereto. The Group's internal audit function is carried out in accordance with the International Professional Practice Framework and has been outsourced to an independent professional firm.

5.5 During the reporting period, the IA conducted audits in relation to Strategic Management; Purchasing; Warehouse and Logistics; Product Development and Technical Support; Quality Assurance; Safety, Health and Environment; Human Resource; Information Technology and Sales and Marketing. The adequacy and effectiveness of internal controls were reviewed by the AC in relation to the internal audits in 2017. Observations arising from the internal audits together with Management's response and corrective action plans were proposed to the AC at the AC meetings. The AC's deliberations were then reported to the Board.

5.6 The Board is satisfied that the risk management and internal controls in place for the financial year ended December 31, 2017 are adequate and effective to safeguard shareholders' investments, the Group's assets and the interest of other stakeholders.

Specific disclosures on the Group's risk management and internal control framework are available in the Risk Management and Internal Control Statement on pages 43 to 49 of the Annual Report.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

6. Communications with Stakeholders

6.1 The Board maintains high standards of corporate disclosure and values its dialogue with shareholders, the investment community and other stakeholders. The Company's *Corporate Disclosure Policy* provides guidance to the Board, Management and employees to ensure accurate, consistent, high quality and fair disclosure of corporate information on a regular and timely basis.

6.2 There is a dedicated investor relations (IR) section on our corporate website at www.daibochi.com where annual reports, latest corporate presentations, corporate and governance matters, press releases and other information considered to be of interest to shareholders and the investment community are readily available. Investor relations' contact information is also available in the IR section to enable shareholders/the investment community to reach the IR contact directly in the event of any enquiries.

6.3 In 2017, the Managing Director, ED and General Manager, Corporate and Finance met with analysts, fund managers, institutional shareholders and investors to provide updates on the performance, progress and developments of the Group. Investor briefings were also held on a quarterly basis in 2017 in Kuala Lumpur (city centre) in conjunction with the Group's quarterly financial results. These platforms enable the EDs and senior management to interact with shareholders, investment community and analysts to understand their views, gather feedback and address key concerns.

7. Conduct of General Meetings

7.1 The AGM remains the principal forum for dialogue with shareholders as it affords them the opportunity to raise questions and seek clarifications on the Group's operations, performance, strategies and latest development. The Company's general meetings have always been held in the Melaka city centre to facilitate greater shareholder participation.

7.2 All the Directors were present in person to engage directly with the shareholders of the Company during the AGM and Extraordinary General Meeting (EGM) held on May 24, 2017. At the AGM, the Managing Director gave a presentation to the members, featuring an overview of the Group's business and products; operational highlights; incorporation of the Group's new subsidiary: Daibochi Packaging (Myanmar) Company Limited; product innovations and 2016 financial performance. Mr. Low Geoff Jin Wei (ED) presented the Company's response to questions submitted by MSWG for the benefit of the members. The Managing Director also addressed shareholders' queries at the general meetings. The EA was present to provide professional and independent clarification on relevant issues and concerns. The Company's advisors were present to advise the Board and assist with shareholders' queries in relation to the corporate proposals at the EGM.

7.3 In order to promote greater transparency, voting of resolutions at the Company's general meetings was conducted by poll and independent scrutineers were appointed to verify the results of the poll. The poll results were announced by the Company via Bursa LINK on the same day. The AGM minutes was also uploaded on the IR section of our Company's corporate website at www.daibochi.com for the benefit of shareholders who were unable to attend the said meeting. Testament to the Board's commitment towards good governance in our engagement with our shareholders, the Company was awarded the Merit Award for Best AGM (Market capitalisation less than RM1 billion) in 2017 by MSWG.

7.4 The notice of the 45th AGM scheduled to be held on June 8, 2018 is dated April 30, 2018 i.e. more than 28 days prior to the AGM in line with Practice 12.1 of the MCCG. This would enable the Company's shareholders to participate effectively and make informed decisions as they would have had ample time to peruse the Annual Report and other documentation and appoint proxies to attend the AGM if they so wish.

PARAGRAPH 15.26(a) LISTING REQUIREMENTS:
Statement of Directors' responsibility for preparing the financial statements

8. The Board is required to prepare financial statements for each financial year in accordance with the Companies Act 2016. In this regard, the Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and the Company.

8.1 The financial statements have been made out in accordance with the Financial Reporting Standards and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

8.2 In preparing the financial statements, the Directors have:
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that all Financial Reporting Standards have been followed; and
- prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

8.3 The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

COMPLIANCE STATEMENT

The Board is satisfied that to the best of its knowledge, the Company is generally in compliance with the Listing Requirements and has applied the MCCG Practices relevant/applicable to the Company (except for Practices 4.5 and 7.2) for the financial year ended December 31, 2017. The Board has also attempted to provide reasonable explanations on the departures from the said Practices. Moving forward, the Board will continue with its efforts to enhance the Group's corporate governance standards.

This Corporate Governance Overview Statement and the CG Report were approved by the Board of Directors on April 4, 2018.

Additional Compliance Information

(a) Utilisation of proceeds

The Company did not implement any fund raising exercise during the financial year.

(b) Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to the external auditors of the Company or its subsidiaries for services rendered for the financial year are as follows:

Fees Incurred	Group RM'000	Company RM'000
Audit Fees	205	145
Non-Audit Fees	63	63

(c) Material contracts involving Directors and major shareholders' interests

Other than the related party transactions disclosed in this Annual Report, there were no material contracts entered into by the Company or its subsidiaries during the financial year which involved the interests of Directors or major shareholders.

Sustainability Statement

Daibochi is committed to building a sustainable business and conducting our operations with integrity. As a leading flexible packaging converter for globally-renowned clients in the food and beverage and fast moving consumer goods sectors, we are mindful that good sustainability practices are integral to our long term business growth. To this end, the Board strives to embed a strong governance culture, socially responsible values and sound environmental practices throughout the Group.

The Board is pleased to present the inaugural Sustainability Statement of Daibochi Plastic And Packaging Industry Bhd (Daibochi/the Company) in line with Bursa Malaysia's Listing Requirements. This statement encompasses the strategic management of the Company's Economic, Environment and Social matters for the financial year. The data/information reported is in relation to our Malaysian operations as the Group's subsidiary; Daibochi Packaging (Myanmar) Company Limited (Daibochi Myanmar) only commenced operations in July 2017.

Governance Structure

The Board sets the "tone at the top" for a strong sustainability culture whilst Management ensures that ethical/social values and good environmental practices are cascaded throughout the entire organisation. Our governance structure is as follows:

Board of Directors	Reviews and approves the Sustainability Statement
Managing Director	➢ Reviews material sustainability matters with the Management team; ➢ Formulates sustainability strategies/initiatives with the Management team; and ➢ Reports to the Board on sustainability matters material to Daibochi i.e. the economic, environment and social risks and opportunities.
Management Team: Heads of Departments: Sales, Corporate & Finance, Operations, Management Information Systems and Product Development & Technical	➢ Responsible for stakeholder engagement process, identifying material sustainability matters, executing and monitoring the implementation of sustainability initiatives/strategies; and ➢ Reports to the Managing Director on material sustainability matters.

Engagement with Stakeholders

We recognise that our stakeholders are important to the Group's long-term growth/success. Hence, sustainability issues that are of interest to them are important to our business. Our key stakeholders and their areas of interest based on our various engagements with them are set out below:

Key Stakeholder Group	Engagement Methods	Areas of Interest
Employees	Discussions, meetings, trainings and teambuilding	Remuneration package, career progression, occupational safety and health
Customers	Meetings, feedback to sales personnel, audits and customer surveys	Product quality/service, competitive price, environment,human rights, occupational safety and health
Government departments and regulators	Meetings, on-site inspections and correspondences	Economy, environment, occupational safety and health and compliance with laws/regulations
Investors	Annual report, announcements, press releases, investor briefings and general meetings	Performance/financial results, business strategy and outlook, governance and risks
Communities	Community programmes	Social responsibility and environment
Suppliers/contractors/ service providers	Meetings, discussions and information from procurement personnel	Price, payment, occupational safety and health

Sustainability Framework

Our sustainability framework focuses on the following 4 themes, which we consider important and relevant from the perspective of the Company as well as our key stakeholders:

- People/Employees – Social, Economic
- Environmental Conservation – Environment
- Sustainable Business Growth – Economic
- Communities – Social and Economic

People/Employees

People are our principal asset and we believe that it is their commitment, enthusiasm and innovative ideas that propel Daibochi forward to achieve our long term business goals. We nurture our employees in an environment where they are treated with dignity and respect, whilst enhancing their economic well-being and professional development.

Core Values	• *Comply with laws, rules and regulations;* • *Conduct business with honesty and integrity;* • *Treat employees fairly, with dignity and respect;* • *Employees must act in the best interest of the Company; and* • *Conduct business in an environmentally responsible manner.*

The brief information of the Company's workforce is set out below:

	FYE 2016		FYE 2017	
	Number	Percentage	Number	Percentage
Employees	847	-	854	-
Malaysian	526	62%	479	56%
Other nationals	321	38%	375	44%
Females	151	18%	143	17%
Males	696	82%	711	83%

230 of our employees (27%) have been a part of the Daibochi team for more than 10 years.

Fair and Equitable Workplace

The Company provides an inclusive working environment by fostering a culture of personal ownership and facilitating the pursuit of excellence for all employees. We promote a workplace that is free of any form of harassment that can violate a person's dignity and interfere with the performance of employees' duties. Employees can voice concerns and submit reports of harassment without fear of retaliation pursuant to the *Workplace Harassment Policy*. Allegations of harassment will be dealt with seriously, expeditiously, sensitively and confidentially.

We believe in the inherent strength of a diversified workforce as reflected in our *Workplace Diversity Policy*. Women employees do not face prejudice, are given equal opportunities to perform and excel at work and are well represented across all levels of the organisation. Employees who are pregnant may be offered suitable alternative work or adjustments to their working hours depending on the respective circumstances, thus creating a workspace that is welcoming to women employees. There is currently one female Independent Non-Executive Director on the Board and 2 women in our 7-member senior Management team (excluding the Executive Directors). Any promotion or increase in pay is based on merit i.e. the blend of competencies, qualifications and job-related skills, with due regard to diversity in terms of gender, age and cultural background.

Daibochi adheres to a *No Child Labour* policy. In accordance with our recruitment guidelines, we only engage and enter into employment contracts with persons who have completed 18 years of age. We expect our suppliers, contractors, agents and business partners to uphold the same standards and/or comply with the specific provisions relating to the employment of children and young persons.

The Company offers fair and competitive remuneration packages based on our employees' performance, roles and responsibilities. This is to ensure that we remain competitive in attracting, motivating and retaining talent which is important to our sustained growth. Employees and their immediate family members are also provided with access to quality healthcare as well as medical and healthcare insurance.

The Company helped to ease the burden of deserving employees with school going children by providing them with financial aid for the 2017 school session. Educational awards were also given to employees' children to reward them for their outstanding academic performance. Social and recreational activities i.e. team building, annual dinner and festive celebrations were organised during the year to facilitate networking and camaraderie amongst employees.

Daibochi Annual Dinner

Festive Celebrations 2017

Festive Celebrations 2017

Our Human Resource Department (HRD) has relevant programmes in place for the recruitment and retention of talent. These include skilled workers and junior management programmes to identify, nurture and train employees with high potential in the Company. A talent search programme that provides a platform to tap into the graduate pool for recruitment was introduced in 2017.

In line with our commitment to sustain a productive working environment, we have implemented the workplace organisation method of 5S comprising "Seiri" (Sort), "Seiton" (Set in Order), "Seiso" (Shine), "Seiketsu" (Standardise) and "Shitsuke" (Sustain). Audits were also undertaken to ensure that employees adhere to these principles.

Talent Management

Our employees' personal development continues to be our priority. Employees are offered a wide variety of learning/development opportunities that enhance their skills, overcome individual challenges and meet career aspirations. In line with this, Daibochi's Training department has a dedicated yearly budget and works with various divisions to ascertain competency gaps and identity training programmes suitable for employees.

During the reporting period, various training sessions were conducted to motivate and enhance the morale of our production team. Personal development/leadership programmes were also provided to enhance production supervisors' leadership potential. Employees also attended external trainings to stay abreast of evolving matters relevant to their job scope. These programmes promote the development of our workforce and equip them with the relevant skills for career growth.

Occupational Safety and Health

We recognise that the very nature of our business itself involves occupational health and safety risks. Hence, the safety and health of our employees as well as the safety of our contractors, service providers and visitors to our manufacturing facilities remain a priority. Our commitment is manifested in Daibochi's *Safety and Health Policy* which is premised on the following principles:

- *Compliance with laws, rules and regulations;*
- *Ensure a healthy and safe working environment for all employees and contract staff;*
- *Develop and enforce the use of safe working practices and provide training to employees in this regard;*
- *Hold each manager accountable for their achievement of these objectives; and*
- *Take every measure to prevent job related injuries and illnesses.*

The Safety and Health Committee (SH Committee) is entrusted with cultivating safe workplace practices, including developing and administering safety policies, conducting annual safety audits of our manufacturing sites and ensuring compliance with Occupational Safety and Health Administration laws and regulations. The SH Committee regularly reviews safety performance results, occupational illness and injury incidents, workplace hazards, incident mitigation and prevention measures and conducts regular inspections to check that SH standards are met. Personal protective equipment is provided to all concerned workers to reduce potential occupational hazard exposure, whilst preventive actions such as fire drills are carried out annually to prepare our employees for speedy evacuation in the event of fire emergencies. Contractors are also expected to comply with our health, safety and environment standards in Daibochi's *Safety, Health and Environment Policy.*

During the reporting period, the SH Committee continued to adhere to all standard operating procedures in relation to major accident cases. Meetings were held on an immediate basis, whilst complete investigations of the accidents, including corrective and preventive actions were undertaken. Particulars of the accidents were then reported to all employees at the Company's monthly assemblies to create awareness and instil a safety culture amongst employees. Reviews were also carried out on a quarterly basis by the SH Committee and reported to Management. The SH Committee continued to provide regular training in relation to fire safety, chemical spills, machine safety and accident-prevention to ensure a high degree of preparedness to respond to workplace safety incidents in addition to greater safety compliance.

As a result of our SH initiatives and proactive engagements with employees and contractors, we maintained zero fatalities and occupational illness in our manufacturing plants. The data is as follows:

Incidents	FY 2016	FY 2017
Accident cases Note: Major: lost time injury more than 4 days Minor: lost time injury 4 days and below	18 cases 5 major and 13 minor cases cases	13 cases 3 major and 10 minor cases
Occupational illness	None	None
Fatality cases	None	None
Loss time injury rate: per 1000 workers	20 cases per 1000 workers	15.3 cases per 1000 workers

Note: Data calculated based on Department of Safety and Health requirements and the Occupational Safety and Health Act and regulations 1994.

At the Company's "World Earth Day, Safety & Health Week 2017" held from April 17, 2017 to April 21, 2017 (SH Week), the SH Committee organised various seminars/talks on safety and health. Employees attended talks given by the officers from Government departments in relation to handling of chemicals, safety at the workplace and road safety.

The SH Committee arranged for health screenings, talks to educate employees on best practices and habits to encourage a healthy and balanced lifestyle during the SH Week. A "No Smoking Day" campaign was organised to create awareness of the hazards of smoking. The focus of these campaigns was to enhance health awareness and encourage employees to make positive lifestyle changes.

World Earth Day And Safety Health Week 2017

The Company encourages its employees to adopt a work life balance and financially supports sports and recreational activities organised by our in-house Sports and Recreational Club to build a healthy workforce. Team building activities and various sports and games were held in 2017 to encourage physical wellbeing. The Company maintained our practice to distribute complimentary fresh fruits to employees twice weekly at the staff canteen to promote a healthy lifestyle.

Team Building 2017

There were no breaches of compliance with the relevant laws/regulations or observations reported in audits conducted in relation to employment and SH in 2017. There were also no instances of discrimination/harassment reported by any of our employees during the reporting period. We will continue to encourage employees' professional development and wellbeing and further enhance our SH structures and processes to build a sustainable and motivated workforce.

Environmental Conservation

We understand that our operations and activities have an environmental footprint and it is our responsibility to minimise these through continuous improvement/management of our manufacturing facilities. To this end, our sustainability agenda focuses on eco-friendly environmental management practices to reduce the impact of our carbon footprint.

Environment policy

Daibochi's commitment to operate in an environmentally sound manner is reflected in our *Environmental Cares Policy* which is based on the following principles:

C *Consistently embarking on continuous improvement of environmental preservation activities to meet the Environmental Quality Act 1974.*

A *Adhering to established guidelines stipulated by governmental regulations and statutory requirements in the prevention of pollution, management and disposal of waste generated.*

R *Recycling and utilising materials which are recyclable and practising waste minimisation concepts of reducing, reusing and recycling either internally or by outsourcing to third parties.*

E *Enhancing and promoting awareness by educating our workforce through education, training and participation in environmental activities.*

S *Setting and implementing company-wide objectives and targets to address significant environmental impacts arising from our business activities.*

Production Process

Our manufacturing facilities adhere to strict regulations and procedures to ensure that materials and energy resources are used efficiently to minimise waste. These include monitoring energy and water consumption, materials planning and waste management.

We seek to keep waste to a minimum within our production process. Waste performance is tracked on a regular basis and waste minimisation awareness is continuously instilled amongst our employees. The Company has engaged the services of licensed contractors for scheduled waste disposal in compliance with the relevant regulations. Various discarded raw materials are recycled to reduce waste, while non-reusable waste materials are sold to waste collectors. The Company provides facilities such as dedicated bins where cardboards, paper, aluminium cans and other discarded materials are collected for recycling purposes.

Non-recyclable plastic waste materials from our production process are sent to a waste-to-energy incinerator facility. This allows us to achieve mitigation in CO2 emissions, reduction in the landfill and zero waste towards our non-recyclables. Reports on the total waste received, total volume (percentage) converted into alternative fuel and estimated total CO2 landfill reduction are provided by the waste management contractor and tracked on a monthly basis.

In order to optimise energy consumption, a total of 62 units of E-Savers were installed since 2014 in key production machineries across both manufacturing plants. This enables us to optimise heat-management and reduce the amount of electricity used per machine. Our commitment to sustainability also extends to water conservation and we continued with our ongoing efforts to optimise water usage in relation to our chilling process and rain water harvesting for re-use in cleaning and gardening activities.

The Company continues to explore innovative avenues by constantly reviewing and upgrading our production processes, whilst products are improved to meet evolving legal, business and technological requirements. Our R&D department remains dedicated to exploring environmentally friendly flexible packaging solutions, in line with growing preference for sustainable packaging amongst our customers and consumers. Our innovative two layer film utilises significantly lesser raw materials than the conventional four layer film, while retaining barrier and strength functionality, therefore generating cost savings for our customers and reducing our carbon footprint.

Employee Awareness

We encourage green activities in the workplace and support environmental conservation efforts in the community.

Employees continue to participate in recycling activities through our "Green Day" campaign every Tuesday and Thursday. They are encouraged to bring segregated waste of plastic, paper, tin, discs, used batteries or clothing to be sent to the Tzu Chi recycling centre. The use of polystyrene food packaging is prohibited in the Company premises and employees are provided recyclable food containers. Employees are encouraged to practise the 5R's – 'Refuse, Reuse, Reduce, Repair and Recycle' in their daily activities. We also lead by example to encourage prudent electricity usage by switching off the lights in the office during scheduled breaks. Employees participated in the "Earth Hour" on March 25, 2017 from 8.30pm to 9.30pm by switching off lights and electrical equipment during that hour.

Our internal teams ensure that our business operations comply with existing regulatory requirements through continuous monitoring and audits. During the year, the Group was not penalised for any instance of non-compliance with environmental laws and regulations. Our ISO 14001 environmental management certification signifies our commitment to minimise the impact on the environment and conserve natural resources. Moving forward, we will step up trainings and awareness amongst our employees and identify opportunities in relation to environmental best practices and prudent management of resources.

Sustainable Business Growth

We remain focused to deliver superior and innovative products to our customers and enhance shareholders' wealth by embracing responsible business practices.

Product Quality and Customer Satisfaction

At Daibochi, our mission is to be the "Preferred Supplier of Our Customers" and exceed customers' expectations in terms of product quality, service and delivery. In achieving this, we have high standards of quality controls in place for our operational processes to ensure the quality and safety of our products. Our manufacturing facilities are equipped with state of the art machinery and in-house laboratory facilities to produce high-quality packaging solutions. Strategic partnerships with customers allow us to continuously develop innovative and competitive solutions to meet their evolving needs.

The Company ensures that there is a robust and effective quality management system in place to meet the requirements of regulators, customers and consumers. Our commitment to excellence and continuous improvement in quality is further reflected in the *Quality & Food Safety Policy* and accreditations attained by the Company. The ISO 9001 certification underscores our commitment to deliver high quality products and services to our customers. The FSSC 22000 accreditation (Food Safety System Certification) recognised by the Global Food Safety Initiative and supported by the Confederation of the Food and Drink Industries of the European Union emphasises our dedication to continuous improvement of quality and food safety. In 2017, we continued to adhere to good manufacturing practices, hygiene practices and food safety management systems in our supply chain, manufacturing and delivery of products to our customers. Regular reviews and audits were undertaken based on established standards and criteria to ensure quality control in our manufacturing facilities.

High Standards of Business Conduct

We recognise that responsible business conduct ensures the long term viability of our business and is imperative to maintaining successful relationships with all stakeholders. In this regard, we conduct our business according to the highest ethical standards by upholding professionalism in our relationship with customers, suppliers, shareholders and other stakeholders. These core principles are enshrined in our "Code of Conduct and Ethics" (Code) and observed by the Board, Management team and employees. The Code requires that we comply with all laws, rules and regulations, conduct our business with honesty and integrity and treat our employees with respect. It also prohibits the giving or receiving of gifts, benefits etc. during the course of employment. This is in accordance with Daibochi's zero tolerance policy towards fraud, bribery and corruption.

In line with this commitment, the Company also has a *Whistleblowing Policy* in place to provide an avenue for employees and stakeholders to report, in good faith, genuine concerns about unethical behaviour and improper conduct within the Company without fear of reprisal. There were no unethical behaviour/improper conduct/concerns reported to the Independent Non-Executive Directors during the year. The Company has a *Competition Law Compliance Policy* which provides guidance to employees in their dealings with competitors in relation to anti-competitive practices to ensure that we compete fairly and ethically in the marketplace.

Investor Relations/Shareholders

We remain committed to delivering shareholder value and our key highlights in 2017 are as follows:

Group revenue	RM388.647 million
PBT	RM35.748 million
Market capitalisation	Reached high of RM780.4 million
Corporate exercise	Issued 54,649,038 bonus shares on the basis of 2 bonus shares for every 10 ordinary shares and 27,324,377 new warrants on the basis of 1 free warrant for every 10 ordinary shares
Dividend policy	Revised policy to distribute 60% of group net profit to shareholders, excluding net profit contribution from our subsidiary, Daibochi Myanmar
Dividends paid	Paid 4 interim single-tier dividends to shareholders in respect of the financial year amounting to a total of 4.55 sen per share, after adjusting for the bonus issue of 2 shares for every 10 shares.

The Company continuously explores new business opportunities to deliver sustainable business growth. The Group's 60% owned subsidiary, Daibochi Myanmar was incorporated in February 2017, commenced operations in July 2017 and is poised to perform strongly in 2018.

The Board values its dialogue with shareholders, the investment community and other stakeholders. General meetings are the principal forum for dialogue with shareholders and provide them the opportunity to raise questions and seek clarifications on the Group's operations, performance and strategies. All the Directors were present in person to engage directly with the shareholders of the Company during the general meetings held in 2017. The Company won the Merit Award for Best AGM (Market capitalisation less than RM1 billion) by the Minority Shareholder Watchdog Group in 2017, reaffirming our commitment towards good governance in our engagement with our shareholders.

Details on the Group's growth strategies are furnished in the Management Discussion and Analysis available in the Annual Report.

Daibochi Managing Director Lim Soo Koon addressing shareholders' queries at the Company's Annual General Meeting on May 24, 2017

We also monitor and evaluate risk on an ongoing basis as part of our sustainability commitment. There is a sound risk management and internal control framework/system in place to safeguard shareholders' investments, the Group's assets and the interest of other stakeholders.

The Group's Corporate Governance Overview Statement and Risk Management and Internal Control Statement in this Annual Report and the Corporate Governance Report at www.daibochi.com provide further details on good governance and risk management.

Sustainable Procurement

Our supply chain plays an important role in ensuring the efficiency and effectiveness of our operations. Daibochi's procurement policy guides our assessment of suppliers/service providers to ensure that they are chosen for their ability to deliver over the long term and operate in a responsible and ethical manner. The Company also has a diversified supplier base for our raw materials to ensure that there is minimum disruption to our operations process.

Communities

As a caring corporate citizen, the Company strives to make a positive impact on the community by encouraging and supporting employees' participation in various community activities. The Company provides the poor and marginalised community in Melaka with supplementary work and income by collaborating with a non-profit organisation (NPO) in respect of an assembly project. In 2017, we continued to engage the NPO to supply a portion of our fresh fruits requirements in the staff canteen.

We understand our role in economic development and our manufacturing plants located in Ayer Keroh and Jasin, Melaka support the employment of local communities. Furthermore, each year, we recruit students from colleges, technical schools and universities for our internship programme. There were 30 trainees attached to the Company for their industrial training in 2017. These trainees were provided with comprehensive hands-on training to equip them with the knowledge and skills needed in future career pursuits. We also seek to employ some of these trainees if there are vacancies available in the Company.

Our HRD organised a blood donation campaign at our premises in 2017. This noble cause received good response from the workforce and encouraged the culture of voluntary blood donation.

Compliance with Standards

Sourcing responsibly (sustainable supply chains) is imperative to our customers and various audits were organised to ensure our conformity to Labour, Environmental Management, Health and Safety and Business Integrity standards. The Board is pleased to report that the Company complied with all the applicable laws, regulations and standards during the financial year.

Moving Forward

The Board will work progressively towards improving the Group's sustainability reporting in relation to the management of our Economic, Environment and Social risks and opportunities.

This Sustainability Statement is prepared in accordance with the resolution of the Board of Directors dated April 4, 2018.

Risk Management and Internal Control Statement

The Board is fully committed towards maintaining a sound system of risk management and internal control to safeguard shareholders' investments, the Group's assets and the interest of other stakeholders. We inculcate a strong corporate risk management and control culture by promoting governance, transparency and accountability throughout the Group.

The Board is pleased to present the Risk Management and Internal Control Statement (the Statement) which outlines the nature and scope of the Group's risk management framework and internal control systems for the financial year ended December 31, 2017. This Statement is prepared pursuant to Paragraph 15.26(b) of Bursa Malaysia's Listing Requirements (Listing Requirements) and Principle B, Practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance, with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

1. Responsibility and Accountability

1.1 The Board affirms its overall responsibility for the Group's risk management and system of internal controls, including reviewing its adequacy and effectiveness in line with its business objectives. The Board confirms that the Group has a sound internal control system and risk management framework, including an ongoing process for identifying, evaluating, mitigating/managing and monitoring the significant risks faced by the Group in the achievement of its objectives and strategies. Processes are reviewed, taking into account changes in the regulatory and business environment to ensure the adequacy and effectiveness of risk management and internal controls. The framework and ongoing process have been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

1.2 The Board is assisted by the Risk Management Committee (RMC) and Audit Committee (AC) in reviewing the effectiveness of the risk management and internal control systems. Management is responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal controls, taking appropriate and timely corrective actions as needed to mitigate and control the risks. Management also provides assurance to the Board that these processes have been carried out accordingly.

1.3 The Board recognizes that the system of internal control and risk management is designed to manage and minimise the risk of failure rather than eliminate the risks involved. Therefore, the Board is cognisant that the systems implemented can provide only reasonable and not absolute assurance against the occurrence of any material misstatement, loss and fraud.

2. Risk Management

2.1 Risk management is integrated into business processes across the entire organisation as the Board believes that this is imperative for the Group's sustainability and enhancement of shareholder value.

2.2 The RMC was formed in 2015 to support the Board with risk governance and assists to identify, assess, manage and monitor key business risks to safeguard shareholders' investments and assets of the Group. The RMC's authority and duties are governed by its written terms of reference, available on the Company's website at www.daibochi.com.

The members of the RMC, which comprise a majority of Independent Non-Executive Directors (INEDs), are as follows:

(i) Mr. Heng Fu Joe (Chairman and Senior INED);
(ii) Mr. Lim Soo Koon (Managing Director);
(iii) Mr. Low Geoff Jin Wei (Executive Director);
(iv) Ms. Caroline Ang Choo Bee (INED); and
(v) Mr. Faris Salim Cassim (INED, appointed on September 1, 2017).

Management personnel i.e. from Operations, Sales and Marketing, Finance and other relevant departments may be invited to attend RMC meetings, where necessary, to brief/advise the RMC members on the potential risks and actions that may be taken to mitigate and control these risks.

2.3 The Group has a structured process within its risk management framework for identifying, evaluating, mitigating and monitoring risks. Key business and operational risks faced by the Group are defined, highlighted, monitored and managed systematically to ensure prudent risk management.

- Risk identification: risk owners (heads of each department/Management) are primarily responsible in identifying risks that can adversely impact the achievement of the Group's objectives in relation to their areas of supervision/control.
- Risk evaluation: evaluation of the identified risks by risk owners to determine the possibility of occurrence and potential impact to the Group.
- Risk mitigation: proposed action plan by risk owners to manage/mitigate the risks.
- Risk monitoring: ongoing process of monitoring risks by Management to ensure that appropriate mitigation plans have been implemented, taking into account changes in the regulatory and business environment.

2.4 Risk areas representing challenges to the Group's business are classified into distinct categories: Sales and Marketing; Operations; Human Resource; Finance; Management Information Systems; Fraud/Theft; Technology; Quality Assurance and Procurement.

2.5 Management's duties include presenting the risk register to the RMC, monitoring risk management activities, ensuring compliance and effective implementation of risk policies, identifying changes to risk or emerging risks and engaging with employees in promoting and inculcating a high risk awareness culture. Meetings are held by Management with the respective risk owners, which include discussion on key risks, impact to the Group and measures to manage these risks. The information is then consolidated into the respective department's risk register, where identified risks are then individually rated as High, Medium or Low risk. The rating process is further guided by a matrix of possibility of occurrence, associated impact to Daibochi, whether the risk is controllable, how can it be detected, preventive and corrective measures as well as action plans that can be taken to manage/mitigate these risks.

2.6 The risk register, including the Group's risk exposures, risk assessment, Management's views on acceptable/appropriate level of risks and action plans are then deliberated at RMC meetings. Salient issues are then reported to the Board on a half yearly basis.

2.7 The register is also reviewed regularly to reflect changes to the risk profile and to update the RMC and the Board on the relevant developments in relation thereto. The RMC met twice during the year on May 24, 2017 and November 20, 2017 to review and assess the Group's risks and deliberate the significant risks to be presented to the Board.

2.8 The key risks presented to the Board during the financial year were as follows:

(a) Management Information Systems

The Group's operations may be vulnerable to security breaches e.g. virus attacks/hacking to our computer systems and processes. This could result in potential disruptions to our operational systems i.e. loss of data/down time. Daibochi has been adhering to good security practices by continuously upgrading our systems and creating awareness amongst employees to mitigate this risk.

(b) Human Resource

Shortage of skilled labour in the manufacturing process would affect productivity and result in potential disruption in the production process. In mitigating this risk, Daibochi has various programmes in place, including skilled workers program for continuous upgrading of existing employees, talent search programs as well as incentives to attract and retain skilled labour.

3. Internal Audit Function

3.1 The AC ensures that the internal audit function is effective and able to function independently. The Group's internal audit function has been outsourced to an independent professional firm which assists the AC and the Board in discharging their responsibilities. The particulars of the Internal Auditors (IA) are set out in Practice 10.2 of the Corporate Governance Report, available at www.daibochi.com.

3.2 The internal audit function provides independent, objective assurance and advisory services that add value and improve operations by:

- evaluating and improving the adequacy and effectiveness of internal control systems established by Management; and
- providing internal audit recommendations for the improvement of the internal controls, policies and procedures.

3.3 The IA reports directly to the AC and adopts a risk based internal audit approach. This approach focuses on key risk areas determined through high level risk review in accordance with the Internal Audit Strategy document approved by the AC. The Internal Audit Strategy of 2017 was carried out upon approval by the AC. For the year under review, the IA conducted audits in relation to Strategic Management; Purchasing; Warehouse and Logistics; Product Development and Technical Support; Quality Assurance; Safety, Health and Environment; Human Resource; Information Technology and Sales and Marketing.

3.4 The adequacy and effectiveness of internal controls were reviewed by the AC in relation to the internal audits in 2017. Observations arising from the internal audits together with Management's response and corrective action plans were proposed to the AC at the AC meetings. The AC's deliberations were then reported to the Board.

4. Internal Controls

The internal controls system of the Group encompasses governance, risk management, organisational, financial, strategy, business and operations, compliance and human capital management. The key features of controls in place to mitigate and manage risks are described below:

4.1 Organisational structure/authority

- Appropriate organisational structure with clearly defined lines of authority, responsibility and accountability in place to support the Group in achieving its vision, mission, strategies and business objectives.
- Delegation of responsibilities to the Board Committees (RMC, AC, Nomination and Remuneration Committees) to assist the Board in overseeing the Group's risk management and internal control systems, Board effectiveness, nomination and remuneration of Directors.

- Responsibilities and authority of the Board and Board Committees are governed by their respective terms of reference/charters. The AC and Board Charters as well as the terms of reference of the Nomination Committee are available on the Company's website at www.daibochi.com.
- The senior management team led by the Managing Director comprises experienced personnel who are accountable for the conduct and performance of their respective departments.
- Significant issues/risks are brought to the attention of the Managing Director immediately and highlighted to the Board on a timely basis.
- Timely updates are provided by the Managing Director and Executive Director on significant matters pertaining to the operations of our subsidiary, Daibochi Packaging Myanmar Company Limited (Daibochi Myanmar).
- Management meetings are held to deliberate on business performance, financial and operational matters, potential risks, opportunities and issues to be resolved.

4.2 Audits

(i) Internal audit

- Regular internal audit visits are commissioned by the AC and the objectives are to independently assess the system of internal controls established by Management and to make appropriate recommendations in relation thereto.
- Meetings are held between the IA, heads of departments and Management to discuss actions taken on internal control issues identified through reports prepared by the IA.
- Audit reports together with findings, Management's response and corrective actions are presented by the IA to the AC.
- Subsequent audits are conducted by the IA to follow up on the implementation status of concerns arising from the prior audit.
- During the year, the AC held a private meeting with the IA, without the presence of the Executive Directors and members of the Management team to discuss areas of concern. No material concerns affecting the conduct of its audits were raised by the IA at the meeting.
  Please refer to pages 53 and 54 of the AC report for further details.

(ii) External audits

- Regular meetings are held by the AC members with full and unimpeded access to the External Auditors (EA) during the financial year under review.
- Private meetings are held with the AC members, without the presence of executive Board members and members of Management.
- Reviews of unaudited quarterly financial statements and audited year-end financial statements by the EA.
- Discussions on significant matters noted in the course of the audit of the Group's financial statements between the AC and EA.
  Please refer to pages 51 and 52 of the AC report for further details.

(iii) Quality/Environment management system audits

- The Company was accredited with ISO 9001:2008 in 2000, ISO 14001:2004 in 2011 and FSSC 22000 in 2014. Daibochi Myanmar received its ISO:9001:2015 and Hazard Analysis and Critical Control Point Food Safety Management System (HACCP FSMS) certifications in 2017.
- Documented internal procedures and standard operating procedures are in place to ensure compliance with the requirements of the above certifications.
- Yearly surveillance audits are conducted by assessors of the ISO and FSSC 22000 certification bodies to ensure that systems are adequately implemented.
- These certifications provide assurance to customers of the delivery of quality products and services.

4.3 Delegation/limitation of authority

- Effective delegation of authority limits in relation to the course of conducting business in accordance with the Discretionary Authority Limit Policy to promote good governance.
- Proper approval by Management on capital expenditure of up to RM1 million and by the Board on capital expenditure exceeding RM1 million.

4.4 Strategic Plan, Budget and Reporting

- A Strategic plan encompassing information on the Group's performance, financial and operational reviews/highlights, strategies, key business indicators, research and development/technology, quality control and human resource is presented by the Managing Director to the Board on a half yearly basis. The Board reviews and discusses the plan to ensure that the Group's objectives are met.
- The Board is also updated on the progress of the issues highlighted during the half yearly presentation and at subsequent Board meetings by the Managing Director and Executive Director.
- Strategies approved by the Board are conveyed by Management to the respective heads of departments and discussed at management, operations, sales, quality and other department meetings held regularly.
- The Group's annual budget is deliberated and approved by the Board before implementation.
- Monitoring of results by Management and the Board through financial reports such as monthly management accounts and cash flow.
- Reporting of the Group's outstanding forex contracts by Management to the Board at Board meetings in accordance with the *Foreign Exchange Risk Management Policy*.
- Reporting of significant risks by the RMC/Management to the Board on a half-yearly basis.
- Reporting of the observations arising from the internal audit together with Management's response, corrective actions plans and the AC's deliberations to the Board.
- Reporting of related party transactions, recurrent related party transactions and possible conflict of interest situations on a quarterly basis by Management to the AC and the Board.

4.5 Policies and Procedures

The Group has formalised policies, procedures and manuals to ensure that internal control principles and mechanisms are embedded in its business and operations. These policies/ procedures have been disseminated and communicated to the relevant employees for compliance and are reviewed regularly to ensure relevance and effectiveness. The key policies include:

- The *Corporate Disclosure Policy* to ensure that confidential information on the Group's operations, financial condition and future prospects are protected.
- *Credit Committee's Credit Control Policy* to ensure that credit evaluations are performed on all customers requiring credit and that exposure to credit risk is monitored on an ongoing basis.
- *Environmental Cares Policy* which reflects the Group's commitment in conserving the environment and compliance with the relevant laws.
- *Foreign Exchange Risk Management Policy* governing the management of foreign currency exposures e.g. the mechanisms to be employed in mitigating such risks, the scope of authority and reporting responsibilities.
- *Personal Data Protection Policy* to ensure that personal data of employees, customers etc. are processed in a secure manner and in compliance with Malaysian laws and regulations. This policy is available on the Company's website at www.daibochi.com.

- *Safety and Health Policy* to ensure a healthy and safe working environment and compliance with Occupational Safety and Health Administration laws and regulations.
- A *Whistleblowing Policy* which provides an avenue/channel for employees and stakeholders to report genuine concerns about unethical behaviour and improper conduct within the Company without fear of reprisal should they act in good faith when reporting such concerns. This policy is available on the Company's website at www.daibochi.com.

4.6 Human resource management and development

- Committed in ensuring that our business is conducted with the highest ethical standards by upholding professionalism in our dealings and relationship with customers, suppliers, shareholders and other stakeholders as enshrined in our Code of Conduct and Ethics.
- Hiring and termination guidelines are in place in accordance with Malaysian laws and regulations.
- Training and development programmes for employees to update their knowledge, expertise and skills to meet changing needs of the industry. Employees' training needs are regularly assessed and various programmes are in place to address competency related matters.

4.7 Security controls/plans

- *Business Continuity Plan* to ensure that there is a contingency framework to manage risks in the event of potential interruptions to operations. During the financial year, a simulation/mock exercise was conducted to ensure that the respective employees are well prepared in managing potential crisis situations. The Group did not encounter any major interruptions to its operations during the financial year.
- *Information Technology Management Policy* and enhanced security tools in place to ensure that the Group's information systems are adequately protected from potential threats.
- Adequate insurance policies and physical security of major assets in place to ensure that the assets of the Group are sufficiently covered against any mishap that could potentially result in material losses to the Group.

5. Review of the Statement by the External Auditors

This Statement has been reviewed by the EA for inclusion in the Annual Report 2017 in accordance with Paragraph 15.23 of the Listing Requirements. The EA have reported to the Board that nothing has come to their attention that caused them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers or is factually inaccurate.

6. Conclusion by the Board

6.1 The Board, through the AC and RMC, has reviewed the adequacy and effectiveness of the risk management and internal control systems based on the information:

(i) provided by key Management in the Group delegated with the responsibility for the development and maintenance of the internal control and risk management framework and processes;
(ii) from the IA, who submit regular reports to the AC which include their independent and objective opinion on the adequacy and effectiveness of the Company's systems of risk management and internal control together with recommendations for improvement; and
(iii) provided by the EA in the form of their annual statutory audit on the financial statements of the Group.

6.2 The Board has received assurance from the Managing Director and the General Manager, Corporate and Finance that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group.

6.3 The risk register incorporating the major risks that may impact the Group in achieving its objectives was presented by Management at the Board Meetings on a half yearly basis upon deliberation with the RMC. There were no significant risks affecting the Group's business and operations identified in the risk register during the year under review.

6.4 The Group's risk management and internal control system does not apply to the associate company as the Board does not have control over its operations. Notwithstanding, the Group's interests are served through representation on the board of the associate company. The Board also obtains a written confirmation from the associate's management on a quarterly basis on factors/events that may adversely affect the associate's performance. Collectively, these provide the Board with timely information and decision making in relation to the investment in its associate company.

6.5 No material losses were incurred during the financial year under review as a result of weaknesses in risk management and the internal control systems. There were no breaches of compliance with the relevant laws and regulations or observations in relation thereto reported in the audits. The Group was not penalized for any instance of non-compliance with laws/regulations and there were no unethical behaviour/improper conduct/concerns reported to the INEDs during the year via the *Whistleblowing Policy*.

6.6 The Board remains committed in improving our risk management framework to ensure that risks are well managed and will continue to take adequate measures to strengthen the control environment in which the Group operates.

6.7 The Board is satisfied that the risk management and internal controls in place for the financial year ended December 31, 2017 are adequate and effective to safeguard shareholders' investments, the Group's assets and the interest of other stakeholders.

This Statement is made in accordance with the resolution of the Board dated April 4, 2018.

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended December 31, 2017.

The Audit Committee (AC/Committee) was established on August 28, 1993 and its primary objective is to assist the Board in ensuring proper corporate governance in fulfilling its fiduciary responsibilities, particularly relating to business ethics, policies and practices, financial management, risk management and internal control. The Committee carries out its functions and duties in accordance with its terms of reference set out in the AC Charter, which is available on the Company's website at www.daibochi.com.

1. Composition and Meetings

1.1 The Committee comprises three (3) members, all of whom are Independent Non-Executive Directors (INEDs). The AC Chairperson, Ms. Caroline Ang Choo Bee (Ms. Caroline Ang) is not the Chairperson of the Board, thus ensuring the overall effectiveness and independence of the Committee.

1.2 All the AC members are financially literate and are able to understand matters under the Committee's purview, including the financial reporting process. Ms. Caroline Ang and Mr. Heng Fu Joe are members of the Malaysian Institute of Accountants. Mr. Faris Salim Cassim (Mr. Faris Cassim) holds Bachelor of Laws and Bachelor of Commerce degrees. Collectively, the members possess a wide range of necessary skills/experience i.e. in relation to accounting, audit, tax, finance, legal and corporate finance matters to discharge their duties effectively. Accordingly, the Company meets Bursa Malaysia's Listing Requirements (Listing Requirements) and Practice 8.5 of the Malaysian Code on Corporate Governance (MCCG) in relation to the composition of the AC.

1.3 A total of five (5) AC meetings were held during the financial year and the details of attendance of each Committee member at the meetings are as follows:

Committee member	Number of meetings attended
Ms. Caroline Ang Chairperson/INED (appointed as AC Chairperson on November 1, 2017)	Attended five (5) out of five (5) meetings
Mr. Heng Fu Joe INED	Attended four (4) out of five (5) meetings
Mr. Faris Cassim INED (appointed as an AC member on September 1, 2017)	Attended the AC meeting held on November 20, 2017 since his date of appointment

1.4 The AC meetings during the financial year were also attended by the Managing Director, Executive Director and members of the management team (at the AC's invitation), External Auditors (EA) and Internal Auditors (IA). The AC Chairperson briefs the Board on the Committee's proceedings at Board meetings which are held subsequent to the AC meetings. Minutes of the Committee meetings are recorded and tabled for confirmation at the next following AC meeting. Additionally, confirmed minutes of the Committee meetings are also circulated to all non AC members for notation. The Committee may also take action by way of circular resolutions in lieu of convening a formal meeting.

2. Summary of Work Undertaken by the Committee

The summary of activities/work undertaken by the AC for the financial year under review is as follows:

2.1 Financial Reporting

(a) Reviewed and discussed the following before recommending to the Board for approval:
  (i) the unaudited quarterly financial statements; and
  (ii) the Group's audited year-end financial statements and significant matters noted in the course of the audit of the Group's financial statements.

(b) Reviewed compliance requirements with the General Manager, Corporate and Finance and EA and received assurance that the Group has adhered to the appropriate accounting standards, applicable Financial Reporting Standards and IC Interpretations for quarterly reports and financial statements.

(c) Updated by the General Manager, Corporate and Finance on a quarterly basis on new/amended Financial Reporting Standards which may have a significant impact on the Group's financial statements.

(d) Reviewed impairment of assets and trade receivables information with the General Manager, Corporate and Finance and EA on a quarterly basis.

(e) Reviewed write downs of inventories with the General Manager, Corporate and Finance and EA on a quarterly basis.

(f) Reviewed/assessed the Company's fixed assets useful lives with the General Manager, Corporate and Finance and EA for the financial year under review.

(g) Discussed the application of the Companies Act 2016 with the General Manager, Corporate and Finance as well as the EA in relation to the Directors' Report, Independent Auditor's Report, Statement by Directors and Declaration by Officer.

(h) Discussed key audit matters raised by the EA and the disclosure thereof in the Independent Auditors' Report for the financial year in line with the requirements of the International Standards on Auditing 701 as follows:
  (i) Impairment loss on trade receivables;
  (ii) Inventory valuation;
  (iii) Revenue recognition; and
  (iv) Goodwill.

  The AC has considered the above in light of the Group's risk management and internal controls system, reports furnished by Management and reviews undertaken by the EA. The AC is satisfied that Management has addressed the above said matters appropriately.

(i) Received assurance from the EA that the accounting and other records and registers are properly kept in accordance with the Companies Act 2016 for the Company and its subsidiaries audited by the EA.

(j) Received assurance from the EA that there were no uncorrected misstatements based on the findings of their audit and that they were not aware of non-compliance of laws and regulations based on their audit work in relation to the Group.

2.2 Related Party Transactions and Conflict of Interest

(a) Reviewed related party transactions (RPT), recurrent related party transactions (RRPT) and possible conflict of interest (COI) situations on a quarterly basis to ensure that transactions are undertaken in the best interest of the Company or Group, fair, reasonable, on normal commercial terms and not detrimental to the interest of the minority shareholders.

(b) Monitored the thresholds of the RPT/RRPT to ensure compliance with the Listing Requirements and Financial Reporting Standards.

(c) Recommended to the Board that there were no significant RPTs, RRPTs and COI situations which arose within the Company or Group, including any transaction, procedure or course of conduct that raised questions of management integrity during the financial period under review.

2.3 External Auditors

(a) Annual assessment and re-appointment of EA

(i) Assessed the performance and independence of the EA prior to their re-appointment. Assessments were carried out via questionnaires based on the *AC's Policy on the Suitability, Objectivity and Independence of EA* adopted in 2017. Assessments and comments were properly documented prior to recommending the re-appointment to the Board for approval.

(ii) Considered the adequacy of the experience and resources of the audit firm, the team/ persons assigned to the audit, the size and complexity of the Group being audited, independence of the EA, quality of performance, audit scope and planning, timeliness and audit fees in the assessment.

(iii) Considered the EAs' provision of non-audit services in respect of tax compliance and annual review of the Risk Management and Internal Control Statement. Tax services were provided by partners and employees who have no involvement in the audit of the financial statements. The amount of non-audit fees incurred for services rendered by the EA for the financial year under review amounted to RM63,000. The provision of the services is not likely to affect the independence and objectivity of the EA.

(iv) Received written assurance from the EA that they have maintained their independence in accordance with their firm's requirements and the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.

(v) Received written assurance from the EA that they are not aware of any non-audit services that have compromised their independence as EA of the Group and the Company.

(vi) A new lead partner was engaged for the audit of the financial statements for the financial year ended December 31, 2017 to ensure audit independence as the earlier audit partner had completed the five (5) year tenure.

(vii) Being satisfied with the EAs' performance, timeliness, technical competency, including safeguards to ensure independence/ objectivity, the AC recommended the re-appointment of Messrs Grant Thornton Malaysia as the Company's EA for the financial year ending December 31, 2018.

(b) Reviewed the audit fees based on the audit plan before recommending to the Board for approval.

(c) Reviewed with the EA their audit plan prior to the commencement of audit.

(d) Met twice with the EA on April 3, 2017 and November 20, 2017, without the presence of executive Board members and members of Management, reinforcing the independence of the Company's external audit function. At these meetings, the EA informed the AC members that there were no issues of concern arising from their audit review and Management had extended their fullest co-operation during the course of the audits.

2.4 Internal Auditors

(a) Assessed the performance of the IA based on:
   (i) the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work, vide a set of questionnaires forwarded to the AC members, and
   (ii) discussion/feedback from members of Management.
   Upon assessing/reviewing the internal audit function, the AC members reported to the Board that the IA has the required resources, expertise and professionalism to discharge their duties. Further information on the resources, objectivity and independence of the internal audit function are provided in the Corporate Governance Report available at www.daibochi.com in accordance with Practice 10.2 of the MCCG.

(b) Reviewed the internal audit fee before recommending to the Board for approval.

(c) Reviewed and approved the annual Internal Audit Strategy Document/Plan for financial year 2018 proposed by the IA.

(d) Reviewed the audit reports with the IA and discussed with Management the actions to be taken to strengthen the internal control environment based on improvement opportunities identified in these reports. There were no major control weaknesses noted from the internal audit reviews.

(e) Kept updated on Management's implementation of the internal audit recommendations on outstanding issues, on a quarterly basis, to ensure that all issues were properly addressed and resolved.

(f) Updated by the IA on the new MCCG, released by the Securities Commission on April 26, 2017.

(g) Held a separate meeting with the IA on May 4, 2017, without the presence of Executive Directors and Management personnel. There were no issues of concern raised by the IA at this meeting in relation to its audits/the internal controls system established by Management.

2.5 Others

(a) Discussed non-financial information presented by Management that is of importance in assessing the Company's or Group's performance i.e. in relation to new markets, award of new business and operational efficiency.

(b) Updated by the Company Secretaries on the new Companies Act 2016 and the MCCG.

(c) Reviewed the following prior to recommending to the Board for approval:
   (i) revisions to the AC Charter and the *AC's Policy on the Suitability, Independence and Objectivity of the EA* to reflect the applicable practices and guidance in the MCCG;
   (ii) the Risk Management and Internal Control Statement for inclusion in the Annual Report; and
   (iii) the AC Report for inclusion in the Annual Report.

3. Internal Audit Function

The Group set up an Internal Audit Function in 1995. The objectives of the Internal Audit Function are to independently assess the system of internal controls established by Management and make appropriate recommendations for improvement/enhancements in relation thereto. The terms of reference of the Internal Audit Function are contained in the Internal Audit Charter.

The Internal Audit Function has been outsourced to an independent professional service firm, which uses a risk based approach guided by the International Professional Practice Framework in performing the internal audit.

The IA reports to the AC on a quarterly basis and provides independent views on the adequacy, integrity and effectiveness of the system of internal controls after its reviews. During the financial period under review, the IA reported to the Committee and presented an annual Internal Audit Strategy document for the consideration and approval of the AC. The areas that were audited by the IA during the financial year were Strategic Management; Purchasing; Warehouse and Logistics; Product Development and Technical Support; Quality Assurance; Safety, Health and Environment; Human Resource; Information Technology and Sales and Marketing. Internal audit priority rating classifications were used to provide guidance to Management on the priority of implementation of internal audit recommendations. The cost incurred in maintaining the outsourced Internal Audit Function amounted to RM70,927 for the financial year under review.

Further details of the Internal Audit Function are set out in the Risk Management and Internal Control Statement at page 45 of this Annual Report.

4. Continuous Professional Development

During the financial year, the AC members attended various seminars, training programmes and workshops to keep themselves abreast of relevant developments, including in relation to finance, accounting, audit, tax and corporate governance. The programmes attended by the AC members are set out in the Professional Development and Induction section in the Corporate Governance Overview Statement in the Annual Report.

Moving forward, the AC members will continue to review their training needs to enhance their skills/ knowledge in accounting and auditing standards, practices and rules to enable them to discharge their duties effectively.

This Audit Committee Report is made in accordance with the resolution of the Board of Directors on April 4, 2018.

Directors' Report

The Directors of DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD. have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2017.

PRINCIPAL ACTIVITIES

The Company is principally involved in manufacturing and marketing of flexible packaging materials. The principal activities of the subsidiaries and an associate are disclosed in Notes 11 and 12 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company, its subsidiaries and an associate during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Profit for the financial year	27,083	24,401
Profit attributable to:		
Owners of the Company	25,932	
Non-controlling interest	1,151	
	27,083	

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

(a) a fourth interim single tier dividend of 1.32 sen per ordinary share amounting to RM3,604,248 in respect of the financial year ended December 31, 2016 on April 10, 2017;

(b) a first interim single tier dividend of 1.32 sen per ordinary share amounting to RM3,606,839 in respect of the financial year ended December 31, 2017 on June 22, 2017;

(c) a second interim single tier dividend of 1.00 sen per ordinary share amounting to RM3,275,305 in respect of the financial year ended December 31, 2017 on September 20, 2017; and

(d) a third interim single tier dividend of 1.15 sen per ordinary share amounting to RM3,763,777 in respect of the financial year ended December 31, 2017 on December 28, 2017.

On February 5, 2018, the Directors declared a fourth interim single tier dividend of 1.30 sen per ordinary share, in respect of the financial year ended December 31, 2017 which had been paid on March 21, 2018. The said dividend has not been included as a liability in the financial statements as of December 31, 2017.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended December 31, 2017.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued bonus shares of 54,649,038 on the basis of two (2) bonus shares for every ten (10) existing ordinary shares by capitalising RM24,374,863 and RM2,949,656 from retained earnings and share premium respectively.

Subsequent to the bonus shares issued, the amount standing to the credit of its share premium account for purposes as set out in Section 618(3) of the Companies Act 2016 in Malaysia had been fully utilised.

The newly issued shares rank pari passu in all respects with the existing issued ordinary shares of the Company.

There were no issue of debentures during the financial year.

ISSUE OF WARRANTS

During the financial year, the Company issued 27,324,377 new warrants on the basis of one (1) free warrant for every ten (10) existing ordinary shares.

The warrants are constituted by a Deed Poll dated May 29, 2017.

The details and main salient features of the warrants are disclosed in Note 20 to the financial statements.

TREASURY SHARES

During the financial year, the Company repurchased 2,023,600 of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for the acquisition of the shares was RM4,490,484 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 RM2.22. The Company had also disposed of 2,910,900 treasury shares valued at RM2.25 for a total net consideration of RM6,552,077 in the open market.

As of December 31, 2017, the Company held 227,400 treasury shares out of its 327,894,894 issued ordinary shares. The treasury shares are held in accordance with Section 127(6) of the Companies Act 2016 in Malaysia at a carrying amount of RM508,362 as disclosed in Note 19 to the financial statements.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

INDEMNITY OR INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and Officers of the Company were RM20,000,000 and RM17,010 respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or

(b) any contingent liabilities of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liabilities have become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

Directors of the Company

The Directors of the Company who held office during the financial year and up to the date of this report are:

Heng Fu Joe
Lim Soo Koon
Low Geoff Jin Wei
Caroline Ang Choo Bee
Faris Salim Cassim (appointed on September 1, 2017)
Datuk Wira Wong Soon Lim (retired on October 1, 2017)
Low Chan Tian (retired on October 1, 2017)
P. James Edwin A/L Louis Pushparatnam (retired on November 1, 2017)

Directors of the subsidiaries

The Directors of the subsidiaries (excluding Directors who are Directors of the Company) who held office during the financial year and up to the date of this report are:

Chang Chee Siong
U Kyaw Win Tun
U Soe Win

DIRECTORS' INTERESTS

The interests in the Company of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, are as follows:

	Number of ordinary shares			
	Balance as of 1.1.2017	Bonus issue	Bought/ (Sold)	Balance as of 31.12.2017
Interests in the Company				
Direct interests				
Low Geoff Jin Wei	11,405,808	2,281,161	-	13,686,969
Lim Soo Koon	432,000	86,400	-	518,400
Caroline Ang Choo Bee	14,400	2,880	-	17,280
Heng Fu Joe	-	-	-	-
Faris Salim Cassim #	-	-	-	-
Deemed interests *				
Caroline Ang Choo Bee	64,800	12,960	-	77,760

	Number of warrants		
	Date of issuance on 20.6.2017	Bought/ (Sold)	Balance as of 31.12.2017
Interests in the Company			
Direct interests			
Low Geoff Jin Wei	1,140,580	-	1,140,580
Lim Soo Koon	43,200	-	43,200
Caroline Ang Choo Bee	1,440	-	1,440
Heng Fu Joe	-	-	-
Faris Salim Cassim #	-	-	-
Deemed interests *			
Caroline Ang Choo Bee	6,480	-	6,480

Date of appointment

* Registered in the name of Director's spouse.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

Details of Directors remuneration are set out in Note 7 to the financial statements.

AUDITORS

Details of auditors' remuneration are set out in Note 7 to the financial statements.

There was no indemnity given to or insurance effected for the auditors of the Company.

The Auditors, Messrs Grant Thornton Malaysia, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors,

HENG FU JOE

LIM SOO KOON

Melaka
April 4, 2018

Independent Auditors' Report

to the members of Daibochi Plastic And Packaging Industry Bhd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Daibochi Plastic And Packaging Industry Berhad, which comprise the statements of financial position as of December 31, 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 119.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of December 31, 2017 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment loss on trade receivables The Group and the Company have material amounts of trade receivables. The key associate risk was recoverability of billed trade receivables as management judgement is required of impairment losses in assessing its adequacy through considering the expected recoverability of the outstanding trade receivables.	We have challenged management's assumptions in impairment losses of trade receivables. This includes reviewing the ageing of receivables and testing the integrity of ageing. We also checked the recoverability of outstanding receivables through examination of subsequent cash receipts and tested the operating effectiveness of the relevant control procedures that management has put in place.

Key audit matters	How our audit addressed the key audit matters
Inventory valuation Judgement is required to assess the appropriate level of impairment for items which may be ultimately sold below cost. The Group and the Company are primarily involved in manufacturing and marketing of flexible packaging materials and is subject to changing consumer demands and technology changes, increasing the level of judgement involved in estimating impairment.	For finished goods, work-in-progress and raw materials, we tested the methodology for estimating the impairment, challenged the appropriateness and consistency of judgements and assumptions, and considered the nature and suitability of historic data used in estimating the impairments. In doing so we understood the ageing profile of inventory, the process for identifying specific problem inventory and historic loss rates. We attended physical inventory counts in all warehouses and factories within the scope of our audit. We performed our own sample counts and checking that the accounting records reflected these physical counts.
Revenue recognition International Standards on Auditing (ISA) 315 presumed that we consider the risk of fraud arising in revenue recognition. Whilst revenue recognition and measurement is not complex for the Group and the Company, revenue targets form part of the Group's and of the Company's key performance measures which could create an incentive to record revenue incorrectly. We focused on this area given the magnitude of revenue transactions that occur.	We evaluated and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements. We also tested journal entries posted to revenue accounts to identify unusual or irregular items. We understood and challenged the appropriateness of revenue recognition policies.
Goodwill The Group holds a goodwill of RM35.14 million on the statements of financial position, as detailed in Note 13 to the financial statements. The determination of the recoverable amount of goodwill is a key judgement area as small changes in assumptions made, notably in respect of the future performance of the business and the discount rates applied to future cash flows projections can result in material different outcomes.	We evaluated the Directors' future cash flows projections, and the process which they were drawn up, including testing the underlying calculations. We challenged the Directors' key assumptions for long term growth rates in the projections, economic and industry forecasts, and the discount rate used by the Group.

Information other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprise the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that we have considered the accounts and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are disclosed in Note 11 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

TAN CHEE BENG
(NO: 2664/02/19(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
April 4, 2018

Statements Of Profit or Loss And Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	5	388,647	371,158	371,264	368,692
Cost of sales		(332,478)	(321,997)	(323,726)	(323,158)
Gross profit		56,169	49,161	47,538	45,534
Other income		4,333	4,641	4,903	4,607
Selling and distribution costs		(10,583)	(10,973)	(9,097)	(9,966)
Administrative expenses		(12,308)	(10,216)	(8,093)	(7,404)
Finance costs	6	(3,017)	(2,753)	(2,822)	(2,541)
Share of profit of equity-accounted associate	12	1,154	90	-	-
Profit before tax	7	35,748	29,950	32,429	30,230
Income tax expense	8	(8,665)	(5,432)	(8,028)	(5,489)
Profit for the financial year		27,083	24,518	24,401	24,741
Other comprehensive income for the financial year, net of income tax					
Item that will be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		(3,139)	307	-	-
Total comprehensive income for the financial year		23,944	24,825	24,401	24,741
Profit for the financial year attributable to:					
Owners of the Company		25,932	24,518		
Non-controlling interest		1,151	-		
		27,083	24,518		
Total comprehensive income for the financial year attributable to:					
Owners of the Company		23,865	24,825		
Non-controlling interest		79	-		
		23,944	24,825		
Earnings per ordinary share attributable to owners of the Company					
- basic (sen)	9	7.92	7.49		

The accompanying notes form an integral part of the financial statements.

Statements Of Financial Position

AS OF DECEMBER 31, 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	138,088	141,218	129,674	141,122
Investments in subsidiaries	11	-	-	6,699	6,699
Investment in an associate	12	19,363	20,245	-	-
Goodwill	13	35,137	-	-	-
Deferred tax assets	14	117	119	-	-
		192,705	161,582	136,373	147,821
Current assets					
Inventories	15	86,537	72,554	70,437	63,452
Trade and other receivables	16	67,766	57,783	56,201	51,060
Tax recoverable		805	627	801	524
Amounts receivable from subsidiaries	17	-	-	53,100	16,318
Derivative financial assets	18	6	21	6	21
Cash and bank balances		18,306	15,829	7,613	13,040
		173,420	146,814	188,158	144,415
Total Assets		366,125	308,396	324,531	292,236

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company:					
Share capital	19	164,163	136,623	164,163	136,623
Treasury shares	19	(508)	(2,354)	(508)	(2,354)
Reserves	20	37,193	54,902	22,673	39,846
		200,848	189,171	186,328	174,115
Non-controlling interest		21,054	-	-	-
Total Equity		221,902	189,171	186,328	174,115
LIABILITIES					
Non-current liabilities					
Trade and other payables	21	664	508	664	508
Loans and borrowings	22	20,128	13,417	20,128	13,417
Deferred tax liabilities	14	13,016	12,860	14,013	13,405
		33,808	26,785	34,805	27,330
Current liabilities					
Trade and other payables	21	57,912	51,297	51,115	49,648
Loans and borrowings	22	49,747	40,573	49,747	40,573
Derivative financial liabilities	18	-	570	-	570
Tax payable		2,756	-	2,536	-
		110,415	92,440	103,398	90,791
Total Liabilities		144,223	119,225	138,203	118,121
Total Equity and Liabilities		366,125	308,396	324,531	292,236

The accompanying notes form an integral part of the financial statements.

Statements Of Changes In Equity

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

		Attributable to Owners of The Company									
				Non-Distributable Reserves				Distributable Reserve-			
Group	Note	Issued Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Translation Reserve RM'000	Warrants Reserve RM'000	Discount on Shares RM'000	Retained earnings RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Balance as of January 1, 2016		113,853	-	3,013	288	-	-	64,320	181,474	-	181,474
Profit for the financial year		-	-	-	-	-	-	24,518	24,518	-	24,518
Other comprehensive income for the financial year, net of income tax		-	-	-	307	-	-	-	307	-	307
Total comprehensive income for the financial year		-	-	-	307	-	-	24,518	24,825	-	24,825
Transactions with owners:											
Dividends paid to owners of the Company	23	-	-	-	-	-	-	(14,711)	(14,711)	-	(14,711)
Bonus shares	19,20	22,770	-	-	-	-	-	(22,770)	-	-	-
Share issuance expenses	20	-	-	(117)	-	-	-	-	(117)	-	(117)
Share buy-back	19	-	(3,371)	-	-	-	-	-	(3,371)	-	(3,371)
Disposal of treasury shares	19,20	-	1,017	54	-	-	-	-	1,071	-	1,071
Total transactions with owners		22,770	(2,354)	(63)	-	-	-	(37,481)	(17,128)	-	(17,128)
Balance as of December 31, 2016		136,623	(2,354)	2,950	595	-	-	51,357	189,171	-	189,171

		Attributable to Owners of The Company									
				Non-Distributable Reserves				Distributable Reserve-			
	Note	Issued Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Translation Reserve RM'000	Warrants Reserve RM'000	Discount on Shares RM'000	Retained earnings RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Balance as of January 1, 2017		136,623	(2,354)	2,950	595	-	-	51,357	189,171	-	189,171
Profit for the financial year		-	-	-	-	-	-	25,932	25,932	1,151	27,083
Other comprehensive income for the financial year, net of income tax		-	-	-	(2,067)	-	-	-	(2,067)	(1,072)	(3,139)
Total comprehensive income for the financial year		-	-	-	(2,067)	-	-	25,932	23,865	79	23,944
Transactions with owners:											
Dividends paid to owners of the Company	23	-	-	-	-	-	-	(14,250)	(14,250)	-	(14,250)
Bonus shares	19,20	27,324	-	(2,950)	-	-	-	(24,374)	-	-	-
Warrants issue	20	-	-	-	-	9,837	(9,837)	-	-	-	-
Share buy-back	19	-	(4,490)	-	-	-	-	-	(4,490)	-	(4,490)
Disposal of treasury shares	19,20	216	6,336	-	-	-	-	-	6,552	-	6,552
Capital contribution by non-controlling interest		-	-	-	-	-	-	-	-	20,975	20,975
Total transactions with owners		27,540	1,846	(2,950)	-	9,837	(9,837)	(38,624)	(12,188)	20,975	8,787
Balance as of December 31, 2017		164,163	(508)	-	(1,472)	9,837	(9,837)	38,665	200,848	21,054	221,902

Company	Note	Issued Capital RM'000	Treasury Shares RM'000	Non-Distributable Reserves: Share Premium RM'000	Non-Distributable Reserves: Warrants Reserve RM'000	Non-Distributable Reserves: Discount on Shares RM'000	Distributable Reserve- Retained earnings RM'000	Total Equity RM'000
Balance as of January 1, 2016		113,853	-	3,013	-	-	49,636	166,502
Total comprehensive income for the financial year		-	-	-	-	-	24,741	24,741
Transactions with owners:								
Dividends paid to owners of the Company	23	-	-	-	-	-	(14,711)	(14,711)
Bonus shares	19,20	22,770	-	-	-	-	(22,770)	-
Share issuance expenses	20	-	-	(117)	-	-	-	(117)
Share buy-back	19	-	(3,371)	-	-	-	-	(3,371)
Disposal of treasury shares	19,20	-	1,017	54	-	-	-	1,071
Total transactions with owners		22,770	(2,354)	(63)	-	-	(37,481)	(17,128)
Balance as of December 31, 2016 / January 1, 2017		136,623	(2,354)	2,950	-	-	36,896	174,115
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**-**	**24,401**	**24,401**
Transactions with owners:								
Dividends paid to owners of the Company	23	**-**	**-**	**-**	**-**	**-**	**(14,250)**	**(14,250)**
Bonus shares	19,20	**27,324**	**-**	**(2,950)**	**-**	**-**	**(24,374)**	**-**
Warrants issue	20	**-**	**-**	**-**	**9,837**	**(9,837)**	**-**	**-**
Share buy-back	19	**-**	**(4,490)**	**-**	**-**	**-**	**-**	**(4,490)**
Disposal of treasury shares	19, 20	**216**	**6,336**	**-**	**-**	**-**	**-**	**6,552**
Total transactions with owners		**27,540**	**1,846**	**(2,950)**	**9,837**	**(9,837)**	**(38,624)**	**(12,188)**
Balance as of December 31, 2017		**164,163**	**(508)**	**-**	**9,837**	**(9,837)**	**22,673**	**186,328**

The accompanying notes form an integral part of the financial statements.

Statements Of Cash Flows

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers and other receivables		**397,932**	379,050	**369,144**	370,362
Cash paid to suppliers, employees and other payables		**(361,789)**	(347,245)	**(338,732)**	(336,600)
Cash generated from operations		**36,143**	31,805	**30,412**	33,762
Interest received		**144**	46	**143**	45
Interest paid		**(2,002)**	(1,846)	**(1,807)**	(1,634)
Tax paid		**(5,886)**	(7,548)	**(5,160)**	(7,403)
Net Cash From Operating Activities		**28,399**	22,457	**23,588**	24,770
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of assets through a business combination		**(28,063)**	-	**-**	-
Interest received		**27**	63	**27**	63
Dividend income from an associate		**2,036**	2,036	**-**	-
Purchase of property, plant and equipment *	10	**(4,346)**	(19,536)	**(2,543)**	(19,536)
Proceeds from disposal of property, plant and equipment		**148**	292	**1,183**	292
Net Cash Used In Investing Activities		**(30,198)**	(17,145)	**(1,333)**	(19,181)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Issuance of share capital to non-controlling interest of a subsidiary		1,978	-	-	-
Share buy-back	19	(4,490)	(3,371)	(4,490)	(3,371)
Proceeds from disposal of treasury shares		6,552	1,071	6,552	1,071
Share issuance expenses		(206)	(117)	(206)	(117)
Dividends paid to owners of the Company	23	(14,250)	(14,711)	(14,250)	(14,711)
Drawdown of term loans		28,623	8,458	28,623	8,458
Repayment of term loans		(9,658)	(8,273)	(9,658)	(8,273)
(Repayment of)/proceeds from short-term borrowings (net)		(257)	11,833	(257)	11,833
Repayment of finance leases		(2,833)	(2,627)	(2,833)	(2,627)
Interest paid		(1,016)	(907)	(1,016)	(907)
Repayment from a subsidiary		-	-	2,036	2,050
Advances to a subsidiary		-	-	(32,193)	(41)
Net Cash From/(Used In) Financing Activities		4,443	(8,644)	(27,692)	(6,635)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,644	(3,332)	(5,437)	(1,046)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		15,829	18,988	13,040	14,086
Effect of exchange differences		(177)	173	-	-
		15,652	19,161	13,040	14,086
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	24	18,296	15,829	7,603	13,040

* During the financial year, the Group's and the Company's addition to property, plant and equipment amounted to RM4,346,000 and RM2,543,000 respectively (2016: the Group and the Company, RM20,214,000). In 2017, there were no new finance lease arrangements for the Group and the Company (2016: the Group and the Company, RM678,000).

The accompanying notes form an integral part of the financial statements.

Notes To The Financial Statements

For The Financial Year Ended December 31, 2017

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally involved in manufacturing and marketing of flexible packaging materials. The principal activities of its subsidiaries and an associate are disclosed in Notes 11 and 12 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company, its subsidiaries and an associate during the financial year.

The registered office and principal place of business of the Company is located at Kompleks Daibochi Plastic, Lot 3 & 7, Ayer Keroh Industrial Estate, Phase IV, 75450 Melaka.

The financial statements of the Company have been authorised by the Board of Directors on April 4, 2018 for issuance.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") and the Companies Act 2016 in Malaysia.

(b) Basis of measurement

Unless otherwise stated, the accounting policies in Note 3 to the financial statements have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM'000 except when otherwise stated.

(d) FRSs

In the current financial year, the Group and the Company adopted the following amendments to FRSs issued by the MASB that is relevant to their operations and mandatory for financial periods beginning on or after January 1, 2017:

Amendments to FRSs

Amendments to FRS 12	Disclosure of Interests in Other Entities (Annual Improvements to FRSs 2014-2016 Cycle)
Amendments to FRS 107	Statement of Cash Flows: Disclosure Initiative
Amendments to FRS 112	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the amendments to FRSs does not have significant financial impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

(i) Malaysian Financial Reporting Standards ("MFRS")

On November 19, 2011, the MASB issued a new MASB approved accounting framework, the MFRS Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual financial periods beginning on or after January 1, 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities ("TE") will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by TE will be mandatory for annual financial periods beginning on or after January 1, 2013. On July 4, 2012, the MASB has decided to allow TE to defer the adoption of the MFRS Framework for another year. The MFRS Framework will therefore be mandated for all companies for annual financial periods beginning on or after January 1, 2014. On August 7, 2013, the MASB has decided to extend the transitional period for another year, i.e. the adoption of the MFRS Framework by all entities for annual financial periods beginning on or after January 1, 2015.

On September 2, 2014, with the issuance of MFRS 15 Revenue from Contracts with Customers and Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141), the MASB announced that TE are required to apply the MFRS Framework for annual periods beginning on or after January 1, 2017. On October 28, 2015, the MASB notified that the effective date of MFRS 15 is deferred to annual periods beginning on or after January 1, 2018. Accordingly, the effective date of application of MFRS Framework of the TE is also deferred to annual periods beginning on or after January 1, 2018.

An associate of the Group falls within the scope of definition of TE and has opted to defer the adoption of the new MFRS Framework and accordingly, the Group will be required to prepare its first set of financial statements using the MFRS Framework for the financial year ending December 31, 2018.

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

(ii) MFRSs, IC Interpretations and amendments to MFRSs

At the date of authorisation of these financial statements, certain new standards, IC Interpretations and amendments to existing standards have been published by the MASB but are not yet effective, and have not been adopted by the Group and the Company are as listed below:

		Effective for Financial Periods Beginning On or After
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 2	Share-based Payment: Classification and Measurement of Shared-based Payment Transactions	January 1, 2018

		Effective for Financial Periods Beginning On or After
Amendments to MFRS 4	Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	January 1, 2018
Amendments to MFRS 128	Investments In Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)	January 1, 2018
Amendments to MFRS 140	Investment Property: Transfers of Investment Property	January 1, 2018
Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements and Investment In Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred to a date to be announced by the MASB
MFRS 16	Leases	January 1, 2019
IC Interpretation 23	Uncertainty over Income Tax Treatment	January 1, 2019
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)	January 1, 2019
Amendments to MFRS 9	Financial Instruments: Prepayment Features with Negative Compensation	January 1, 2019
Amendments to MFRS 11	Joint Arrangements: Previously Held Interest in a Joint Operation (Annual Improvements to MFRS Standards 2015-2017 Cycle)	January 1, 2019
Amendments to MFRS 112	Income Taxes: Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements to MFRS Standards 2015-2017 Cycle)	January 1, 2019
Amendments to MFRS 119	Employee Benefits: Plan Amendment, Curtailment or Settlement	January 1, 2019
Amendments to MFRS 123	Borrowing Costs: Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRS Standards 2015-2017 Cycle)	January 1, 2019
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Long term Interests in Associates and Joint Ventures	January 1, 2019
MFRS 17	Insurance Contracts	January 1, 2021

The summary of main MFRSs to be adopted by the Group and the Company are as listed below:

<u>MFRS 9 Financial Instruments</u>

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions.

The Group and the Company had completed the assessment of the financial impact of adopting MFRS 9. The adoption of MFRS 9 is not expected to have any significant financial impact on the financial statements of the Group and of the Company.

<u>MFRS 15 Revenue from Contracts with Customers</u>

MFRS 15 presents new requirements for the recognition of revenue, replacing the guidance of MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue - Barter Transaction Involving Advertising Services. The principles in MFRS 15 provide a more structured approach to measuring and recognising revenue. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group and the Company had completed the assessment of financial impact of adopting MFRS 15. The adoption of MFRS 15 is not expected to have any significant financial impact on the financial statements of the Group and of the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of pronouncement. Information on new standards, IC Interpretations and amendments to existing standards are not expected to have a material impact on the Group's and the Company's financial statements except for:

<u>MFRS 16 Leases</u>

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group plans to assess and quantify the potential financial effect of MFRS 16 on its consolidated financial statements in 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue and income recognition

Revenue from sale of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed to the customers. Sales represent gross invoiced value of goods sold net of sales taxes, returns and trade discounts.

Interest income is recognised on an accrual basis by reference to the principal outstanding and at the effective interest rate.

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

(b) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of presenting the consolidated financial statements, the results and financial position of each entity are expressed in RM, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are included in the profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in the foreign operation, and which are included in the foreign currency translation reserve and recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the reporting period, unless exchange rates fluctuated significantly during that reporting period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity and transferred to the Group's translation reserve. Such exchange differences are recognised in the other comprehensive income in the reporting period in which the foreign operations are disposed.

(c) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which deductible temporary differences, unutilised tax losses and unused tax credits can be utilised. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the reporting period when the liability is settled or the asset realised. Deferred tax is charged or credited to the profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the deferred tax is also recognised outside profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and subsidiaries intend to settle their current tax assets and liabilities on a net basis.

(d) Goods and services tax ("GST") and Commercial Tax ("CT")

GST is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6% in Malaysia.

The Group's domestic sales of goods in Australia and New Zealand are subjected to GST at the applicable rates of 10% and 15% respectively. Input GST on purchases can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST, except:

- Where the amount of GST incurred is not recoverable from the taxation authorities. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; and

- Receivables and payables in the statements of financial position are shown inclusive of GST.

CT is a tax on specific commercial transactions listed in the Commercial Tax Law 1990, Myanmar at the applicable tax rate ranging from 1% to 8%.

The Group's sale of goods in Myanmar is subjected to CT at the applicable rate of 5% for Myanmar domestic sales. Input CT on purchases can be deducted from output CT.

The net amount of GST and CT recoverable from, or payable to, the taxation authorities are included as part of receivables or payables in the statements of financial position.

Cash flows are presented in the statements of cash flows on a gross basis, except for the GST and CT component of investing and financing activities, which are disclosed as operating activities.

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to December 31, 2017.

The subsidiaries are consolidated using the acquisition method of accounting whereby, on acquisition, the assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to be inline with those used by the Group.

All intra-group transactions, balances, income and expenses and unrealised gain and losses resulting from intra-group transactions are eliminated in full on consolidation. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intra-group transaction will be treated in accordance to FRS 112 Income Taxes.

(f) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured to fair value at acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value at the acquisition date of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

Goodwill in initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(g) Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use and cost of replacing component parts of the assets. The carrying amount of the replaced part is derecognised. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

Depreciation of property, plant and equipment, except for capital work-in-progress which is not depreciated, is computed on the straight-line method at the following annual rates based on the estimated useful lives of the various assets. Freehold land with an infinite life is not depreciated. Leasehold land is amortised over a 99-year period. The annual depreciation rates of other property, plant and equipment are as follows:

Buildings	2% - 10%
Plant and machinery	6.67% - 50%
Motor vehicles	12.5% - 20%
Equipment, furniture, fixture and fittings	7.5% - 40%

The estimated residual value, useful life and depreciation method of property, plant and equipment are reviewed at each financial year end, with the effect of any changes in estimates accounted for prospectively.

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating lease.

(ii) Finance leases

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease (when it is practicable to determine) otherwise, the Group's and the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total lease commitments and the fair value of the assets acquired, are recognised in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3(g) to the financial statements.

(iii) Operating leases

Lease payments under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(i) Impairment of non-financial assets

At the end of each reporting period, the Group and the Company review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in the profit or loss.

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future reporting periods.

(j) Investments in subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in unquoted shares of subsidiaries, which are eliminated on consolidation, are stated at cost in the Company's financial statements. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Upon disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(k) Investment in an associate

Associates are entities in which the Group has significant influence, but no control, over their financial and operating policies.

Investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the profit or loss.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

The results of the associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the reporting period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

On disposal of such investment, the difference between net disposal proceeds and the carrying amounts is recognised as profit or loss in the period of disposal.

(l) Inventories

Inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. The cost of raw materials comprises the original purchase price plus the cost of bringing the inventories to their present location. The costs of work-in-progress and finished goods include the cost of raw materials, direct labour, other direct costs and an appropriate proportion of the manufacturing overheads. Net realisable value represents the estimated selling price in the ordinary course of business less the costs of completion and applicable variable selling price.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition of a qualifying asset are capitalised as part of the cost of the asset during the period of time that is necessary to complete and prepare the asset for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or completed.

All other borrowing costs are expensed in the reporting period in which they are incurred.

(n) Employee benefits

(i) Short-term employee benefits

Salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting date.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company paid fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund. The Group’s foreign subsidiary also makes contributions to its country’s statutory pension schemes.

The Group’s obligation in respect of additional contributions for the retention of certain key management personnel is measured at the present value of the estimated future cash flows to be made at the reporting date.

The defined contribution plans are classified as current liabilities, except for those having settlement after 12 months at the end of the reporting period which are classified as non-current.

(iii) Long-term employee benefits

Long-term employee benefits include long service leave. Long service leave that is expected to be settled within one year has been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Long service leave payable later than one year has been measured at the present value of the estimated future cash flows to be made at the reporting date.

One of the Group’s foreign subsidiaries’ employees are entitled to long service leave in accordance to its country’s statutory employment laws.

(o) Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be recognised to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the Directors' best estimate of the amount required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At the end of each reporting period, the provisions are reviewed by the Directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation.

(p) Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

(i) Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

The Group's and the Company's principal financial assets are trade and other receivables, cash and cash equivalents and inter-company indebtedness and are measured at initial recognition at fair value, and are subsequently measured at amortised cost less impairment losses, if any.

(ii) Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, other financial liabilities measured at amortised cost using the effective interest method and financial guarantee contracts.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Group's and the Company's significant financial liabilities include trade and other payables, accruals, and borrowings which are initially measured at fair value and subsequently measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(q) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Receivables are assessed for indicators of impairment at the end of each reporting period. Receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the receivables, the estimated future cash flows of the receivables have been impacted.

For receivables, objective evidence of impairment could include:

- significant financial difficulty of the customers; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the customers will enter bankruptcy or financial re-organisation.

The carrying amount of the trade receivables is reduced by the impairment loss through the use of an impairment loss account. When a trade receivable is considered uncollectible, it is written off against the impairment loss account. Subsequent recoveries of amounts previously written off are credited in the profit or loss.

(r) Derivative financial instruments

The Group and the Company use foreign currency forward contracts to manage the risk associated with sale and purchase transactions of the foreign currency exposure generated. Foreign currency forward contracts are initially recognised at fair value at the date the contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Foreign currency forward contracts with a positive fair value is recognised as financial assets and a negative fair value is recognised as financial liabilities.

It is the Group's and the Company's policy not to trade in derivative financial instruments. Details of foreign currency forward contracts entered into by the Group and the Company are recorded as derivative financial assets and liabilities as disclosed under Note 18 to the financial statements.

(s) Equity instruments

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of direct attributable transactions costs.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity.

(iii) Share premium

Prior to the Companies Act 2016 in Malaysia which came into operation on January 31, 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective on January 31, 2017 and subsequent period, incremental external costs directly attributable to issuance of new shares are deducted against equity.

(iv) Warrants

The fair value of the warrants arising from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable and debited to the discount on shares respectively. Warrants reserve and discount on shares account are reversed upon the exercise of warrants and the warrants reserve and discount on shares account in relation to the unexercised warrants at the expiry of the warrants will be reversed.

The issuance of ordinary shares upon exercise of warrants is treated as new subscription of ordinary shares in the Company.

(v) Dividends

Dividends on ordinary shares are recognised as a liability when proposed or declared by the Board of Directors before the reporting date. Dividends when proposed or declared by the Board of Directors after the reporting date but before the financial statements are authorised for issue will be accounted for in the next financial year.

(t) Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the equity.

The consideration paid, including directly attributable costs and premium or discount arising from the share repurchased, should be adjusted directly to the share capital account.

When the treasury shares are disposed of subsequently, the difference between the sales consideration net of directly attributable cost and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share capital.

(u) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, bank overdrafts and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in current liabilities on the statements of financial position.

(v) Operating segments

Operating segment is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment.

(w) Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(i) A person or a close member of that person's family is related to the Group if that person:

(1) has control or joint control over the Group;
(2) has significant influence over the Group; or
(3) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group.
(2) One entity is an associate or joint venture of the other entity.
(3) Both entities are joint ventures of the same third party.
(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(5) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
(6) The entity is controlled or jointly-controlled by a person identified in (i) above.
(7) A person identified in (i)(1) above which has significant influence over the entity or is a member of the key management personnel of the entity (or the parent of the entity).
(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the Group’s and the Company’s accounting policies

In the process of applying the Group’s and the Company’s accounting policies, which are described in Note 3 to the financial statements, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

Useful lives of depreciable property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets’ useful lives. Management estimates the useful lives of these assets to be between two to ninety nine years, depending on the categories of the property, plant and equipment, as disclosed in Note 3(g) to the financial statements. Technological advancements could impact the useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The total carrying amount of the property, plant and equipment as of the end of the financial year is disclosed in Note 10 to the financial statements.

Management anticipates that the expected useful lives of the property, plant and equipment would not have material difference from their estimates and hence it would not result in material variance in the Group’s and the Company’s profit for the financial year.

Impairment of non-financial assets

To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill are disclosed in Note 13 to the financial statements.

5. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Manufacturing and marketing of flexible packaging materials	388,647	371,158	371,264	368,692

6. FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
Term loans	734	517	734	517
Bank overdrafts	17	3	17	3
Bankers' acceptances	1,071	910	1,071	910
Vendor financing	913	933	718	721
Finance lease	282	390	282	390
	3,017	2,753	2,822	2,541

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Audit fee				
- Current	205	162	145	110
Depreciation of property, plant and equipment	13,774	12,657	13,273	12,624
Employee benefits expenses:				
- Salaries and other emoluments	38,290	37,077	36,343	35,820
- Defined contribution plans	3,130	2,934	3,007	2,827
Fair value adjustment for defined contribution plan	(46)	(53)	(46)	(53)
Foreign exchange loss/(gain):				
- Realised	851	(2,234)	816	(2,242)
- Unrealised	(1,652)	683	(1,680)	674
Interest income	(171)	(109)	(170)	(108)
Property, plant and equipment:				
- Gain on disposal	(84)	(292)	(479)	(292)
- Write-offs	20	12	14	12
Rental of premises	1,871	1,241	683	709
Rental of equipment	515	496	515	496

Directors' remuneration

The aggregate amounts of emoluments received and receivable by Directors of the Company during the financial year are as follows:

	Group and Company	
	2017	2016
	RM'000	RM'000
Directors' remuneration:		
- Executive		
Salaries and other emoluments	1,712	1,779
Defined contribution plans	315	305
- Non-executive		
Fees	52	88
Other emoluments	181	178
	2,260	2,350

The estimated monetary value of benefits-in-kind received by the Directors of the Company during the financial year amounted to RM43,000 (2016: RM30,000).

8. INCOME TAX EXPENSE

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current				
- Malaysian tax	7,307	3,761	7,307	3,762
- Foreign tax	1,099	179	-	-
Under provision in prior year	103	73	113	61
	8,509	4,013	7,420	3,823
Deferred tax (Note 14):				
Current year	154	1,414	606	1,661
Under provision in prior year	2	5	2	5
	156	1,419	608	1,666
	8,665	5,432	8,028	5,489

A numerical reconciliation of income tax expense at the statutory income tax rate to tax expense at the effective income tax rate is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	**35,748**	29,950	**32,429**	30,230
Tax at the statutory income tax rate of 24% (2016: 24%)	**8,580**	7,188	**7,783**	7,255
Effect of different tax rate of subsidiaries operating in other jurisdictions	**116**	38	**-**	-
Effects of tax incentives and income not subject to tax:				
- utilisation of reinvestment allowance	**(298)**	(2,061)	**(298)**	(2,061)
- double deduction	**(3)**	(24)	**(3)**	(24)
- tax exempt income	**(209)**	-	**-**	-
Effects of expenses not deductible in determining taxable profit	**651**	234	**431**	253
Share of profit of equity-accounted associate's tax	**(277)**	(21)	**-**	-
Under provision of deferred tax in prior year	**2**	5	**2**	5
Under provision of income tax expense in prior year	**103**	73	**113**	61
Income tax expense for the financial year	**8,665**	5,432	**8,028**	5,489

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable income for the financial year.

Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

On December 8, 2017, Daibochi Packaging (Myanmar) Company Limited was granted 5 years income tax exemption from the Myanmar Investment Commission effective from the commencement of its commercial operations on November 22, 2017.

9. EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share is calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue, adjusted by the number of ordinary shares repurchased and disposed during the financial year.

	Group	
	2017	**2016**
Profit for the financial year attributable to owners of the Company (RM'000)	**25,932**	24,518
Weighted average number of ordinary shares in issue ('000)		
Issued ordinary shares as of January 1	**327,895**	327,895
Effect of treasury shares held	**(346)**	(728)
Weighted average number of ordinary shares as of December 31	**327,549**	327,167
Basic earnings per ordinary share (sen)	**7.92**	7.49

For comparative purpose, the basic earnings per ordinary share for the financial year ended December 31, 2016 had been adjusted to reflect the bonus issue of two (2) for every ten (10) existing ordinary shares held by the entitled shareholders, which was completed on June 28, 2017.

Diluted earnings per ordinary share are not presented as the warrants are anti-dilutive where the average market price of ordinary shares during the financial year does not exceed the exercise price of the warrants.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Equipment, furniture, fixtures and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
Balance as of January 1, 2016	9,887	41,477	183,102	4,394	8,827	8,212	255,899
Additions	-	4,331	13,847	1,179	857	-	20,214
Disposals	-	-	(90)	(998)	-	-	(1,088)
Write-offs	-	(8)	-	-	(92)	-	(100)
Reclassification	-	-	8,212	-	-	(8,212)	-
Currency translation difference	-	-	-	7	4	-	11
Balance as of December 31, 2016 / January 1, 2017	9,887	45,800	205,071	4,582	9,596	-	274,936
Acquisition through a business combination	-	-	6,178	-	627	-	6,805
Additions	-	327	3,581	85	353	-	4,346
Disposals	-	-	(973)	(257)	(58)	-	(1,288)
Write-offs	-	-	(574)	-	(64)	-	(638)
Currency translation difference	-	-	(374)	(8)	(67)	-	(449)
Balance as of December 31, 2017	9,887	46,127	212,909	4,402	10,387	-	283,712
Accumulated Depreciation							
Balance as of January 1, 2016	1,374	7,995	103,282	3,548	6,031	-	122,230
Charge	74	837	10,691	383	672	-	12,657
Disposals	-	-	(90)	(998)	-	-	(1,088)
Write-offs	-	(1)	-	-	(87)	-	(88)
Currency translation difference	-	-	-	4	3	-	7
Balance as of December 31, 2016 / January 1, 2017	1,448	8,831	113,883	2,937	6,619	-	133,718
Charge	74	923	11,628	436	713	-	13,774
Disposals	-	-	(909)	(257)	(58)	-	(1,224)
Write-offs	-	-	(558)	-	(60)	-	(618)
Currency translation difference	-	2	(18)	(5)	(5)	-	(26)
Balance as of December 31, 2017	1,522	9,756	124,026	3,111	7,209	-	145,624
Net Carrying Amount							
As of December 31, 2016	8,439	36,969	91,188	1,645	2,977	-	141,218
As of December 31, 2017	8,365	36,371	88,883	1,291	3,178	-	138,088

Company	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Equipment, furniture, fixtures and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
Balance as of January 1, 2016	9,887	41,477	183,079	4,217	8,735	8,212	255,607
Additions	-	4,331	13,847	1,179	857	-	20,214
Disposals	-	-	(90)	(998)	-	-	(1,088)
Write-offs	-	(8)	-	-	(92)	-	(100)
Reclassification	-	-	8,212	-	-	(8,212)	-
Balance as of December 31, 2016 / January 1, 2017	9,887	45,800	205,048	4,398	9,500	-	274,633
Additions	**-**	**265**	**2,132**	**-**	**146**	**-**	**2,543**
Disposals	**-**	**-**	**(4,453)**	**(257)**	**(58)**	**-**	**(4,768)**
Write-offs	**-**	**-**	**(572)**	**-**	**(34)**	**-**	**(606)**
Balance as of December 31, 2017	**9,887**	**46,065**	**202,155**	**4,141**	**9,554**	**-**	**271,802**
Accumulated Depreciation							
Balance as of January 1, 2016	1,374	7,995	103,257	3,462	5,975	-	122,063
Charge	74	837	10,691	361	661	-	12,624
Disposals	-	-	(90)	(998)	-	-	(1,088)
Write-offs	-	(1)	-	-	(87)	-	(88)
Balance as of December 31, 2016 / January 1, 2017	1,448	8,831	113,858	2,825	6,549	-	133,511
Charge	**74**	**922**	**11,218**	**409**	**650**	**-**	**13,273**
Disposals	**-**	**-**	**(3,749)**	**(257)**	**(58)**	**-**	**(4,064)**
Write-offs	**-**	**-**	**(558)**	**-**	**(34)**	**-**	**(592)**
Balance as of December 31, 2017	**1,522**	**9,753**	**120,769**	**2,977**	**7,107**	**-**	**142,128**
Net Carrying Amount							
As of December 31, 2016	8,439	36,969	91,190	1,573	2,951	-	141,122
As of December 31, 2017	**8,365**	**36,312**	**81,386**	**1,164**	**2,447**	**-**	**129,674**

Included in the total net carrying amount of land are:

	Group and Company 2017 RM'000	2016 RM'000
Freehold land	**2,851**	2,851
Leasehold land with unexpired lease period of more than 50 years	**5,514**	5,588
	8,365	8,439

The carrying amounts of assets under finance lease arrangements are:

	Group and Company 2017 RM'000	2016 RM'000
Plant and machinery	**9,269**	9,989
Motor vehicles	**726**	946
	9,995	10,935

11. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM'000	2016 RM'000
Unquoted shares - at cost	**6,699**	6,699

Details of the direct and indirect subsidiaries are as follows:

Name of companies	Country of incorporation	Effective percentage ownership 2017	2016	Principal activities
Direct subsidiaries:				
Daibochi Land Sdn. Bhd.	Malaysia	**100%**	100%	Investment holding
Daibochi Flexibles Sdn. Bhd.	Malaysia	**100%**	100%	Investment holding
Daibochi Australia Pty. Ltd.*	Australia	**100%**	100%	Importing and marketing of packaging materials
Daibochi New Zealand Ltd.^	New Zealand	**100%**	100%	Importing and marketing of packaging materials
Indirect subsidiary:				
Daibochi Packaging (Myanmar) Company Limited ^	Myanmar	**60%**	-	Manufacturing and marketing of flexible packaging materials

* Audited by a member firm of Grant Thornton International Ltd.

^ Special audit performed by Messrs Grant Thornton Malaysia for consolidation purposes.

Incorporation of a new subsidiary

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

Approval from the Myanmar Investment Commission for its investment in Myanmar was received on April 28, 2017. A Joint Venture Agreement ("JVA") between DFlex and MSP was signed on June 16, 2017. An Asset Purchase Agreement ("APA") between Daibochi Myanmar and MSP was signed on July 1, 2017 to acquire MSP's entire existing business, production assets as well as workforce. The purchase consideration of USD10,950,510 (equivalent RM47,168,000) consists of:

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

The following summarises the recognised amounts of assets acquired on July 1, 2017:

	RM'000
Identifiable assets acquired:	
Property, plant and equipment	6,805
Inventories	2,954
Other receivable - commercial tax recoverable	131
	9,890

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	RM'000
Total consideration transferred	47,168
Fair value of identifiable net assets	(9,890)
	37,278

The goodwill recognised on the acquisition is attributable mainly to the business relationship, customer list and work force of the acquired business and the synergies expected to be achieved from integrating the subsidiary into the Group's existing business.

Acquisition related costs

The Group incurred acquisition related costs amounting to RM305,000 which have been included in administrative expenses in the statements of profit or loss.

Impact of the acquisition on the Consolidated Statement of Profit or Loss and Other Comprehensive Income

From the date of acquisition, acquired business through Daibochi Myanmar has contributed RM13,291,000 and RM2,878,000 to the Group's revenue and profit for the financial year respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit for the financial year would have been the same respectively.

Non-controlling interest in a subsidiary

The Group's subsidiary that has material non-controlling interest is as follows:

	Daibochi Myanmar 2017
Percentage of ownership interest and voting interest (%)	40%
Carrying amount of non-controlling interest (RM'000)	21,054
Profit allocated to non-controlling interest (RM'000)	1,151

The summarised financial information (before intra-group elimination) of Daibochi Myanmar is as below:

	2017 RM'000
Summarised statement of financial position as of December 31	
Non-current assets	42,831
Current assets	16,206
Current liabilities	(6,402)
Net assets	52,635
Summarised statement of profit or loss and other comprehensive income for the financial period from February 7, 2017 (date of incorporation) to December 31, 2017	
Revenue	14,929
Profit for the financial period / Total comprehensive income for the financial period	2,878
Summarised cash flows information for the financial period from February 7, 2017 (date of incorporation) to December 31, 2017	
Net cash inflow from operating activities	2,889
Net cash outflow from investing activities	(29,845)
Net cash inflow from financing activities	33,440
Net cash inflow	6,484

12. INVESTMENT IN AN ASSOCIATE

	Group 2017 RM'000	Group 2016 RM'000
Unquoted shares - at cost	22,568	22,568
Share of post-acquisition reserve	4,939	3,785
Dividend received	(8,144)	(6,108)
	19,363	20,245

The Group's interest in the associate is analysed as follows:

	Group 2017 RM'000	Group 2016 RM'000
Share of net tangible assets - at fair value	19,094	19,976
Goodwill	269	269
	19,363	20,245

Details of the associate which is incorporated in Malaysia are as follows:

Name of company	Effective percentage ownership 2017	Effective percentage ownership 2016	Principal activity
Skyline Resources (M) Sdn. Bhd.*	36.32%	36.32%	Property development, contract construction works and property investments

* Not audited by Messrs Grant Thornton Malaysia.

Summarised financial information in respect of the associate is as follows:

	2017 RM'000	2016 RM'000
Assets and liabilities		
Current assets	96,831	96,162
Non-current assets	14,693	15,134
Total Assets	111,524	111,296
Current liabilities	61,518	61,543
Non-current liabilities	49	87
Total Liabilities	61,567	61,630

	2017 RM'000	2016 RM'000
Results		
Revenue	42,554	17,908
Profit for the financial year/Total comprehensive income for the financial year	5,896	1,154

Group's share of results for the financial year ended December 31:

	2017 RM'000	2016 RM'000
Group's share of profit/Total comprehensive income	1,154	90

The Group's share of profit of the equity-accounted associate amounting to RM1,154,000 (2016: RM90,000) is after taking into consideration the amount of RM987,000 (2016: RM330,000) being the realisation of the revaluation surplus arising from the revaluation of the associate's development land prior to the acquisition of the associate.

	2017 RM'000	2016 RM'000
Other information		
Dividend received by the Group	2,036	2,036

13. GOODWILL

	Group RM'000
Cost/Net Carrying Amount	
As of January 1	-
Addition through business combination	37,278
Foreign currency translation differences	(2,141)
As of December 31	35,137

Impairment testing for cash generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the following Group's cash generating unit ("CGU") at which the goodwill is monitored for internal management purposes.

	Group 2017 RM'000
Daibochi Myanmar	35,137

The recoverable amount for the above was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of this CGU and was based on the following key assumptions:

- Cash flows were projected based on a 3-year business plan.
- Revenue was projected at anticipated Compounded Annual Growth Rate ("CAGR") of approximately 17%.
- A discount rate of 6.85% per annum based on the estimated borrowing rate of Daibochi Myanmar was applied in determining the recoverable amount of the unit.

With regard to the assessment of value in use of this CGU, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of this unit to differ materially from its recoverable amount except for the changes in prevailing operating environment which are not ascertainable.

14. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	117	119	-	-
Deferred tax liabilities	(13,016)	(12,860)	(14,013)	(13,405)
	(12,899)	(12,741)	(14,013)	(13,405)
As of January 1	(12,741)	(11,327)	(13,405)	(11,739)
Currency translation difference	(2)	5	-	-
Recognised in profit or loss (Note 8)	(156)	(1,419)	(608)	(1,666)
As of December 31	(12,899)	(12,741)	(14,013)	(13,405)

The deferred tax assets and liabilities are in respect of temporary differences arising from:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets				
Provisions	115	110	-	-
Others	2	9	-	-
	117	119	-	-
Deferred tax liabilities				
Property, plant and equipment	14,768	14,449	14,768	14,448
Others	(1,752)	(1,589)	(755)	(1,043)
	13,016	12,860	14,013	13,405

15. INVENTORIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Raw materials	35,631	28,050	32,359	28,050
Work-in-progress	17,583	16,349	17,192	16,349
Finished goods	31,649	26,773	19,623	17,671
Consumables	1,674	1,382	1,263	1,382
	86,537	72,554	70,437	63,452
Recognised as cost of sales:				
Inventories	251,465	241,522	244,987	242,683
Inventories write-down	2,557	2,135	2,321	1,947
Reversal of inventories write-down	(533)	(1,047)	(459)	(859)

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	60,604	52,536	49,248	45,984
Other receivables	2,925	4,143	2,925	4,086
Prepayments	3,953	832	3,774	749
Deposits	284	272	254	241
	67,766	57,783	56,201	51,060

As of December 31, 2017, RM10,014,000 (2016: RM7,723,000) is due from a customer which represents more than 10% of the Group's and of the Company's trade receivables.

The Group and the Company grant credit on various terms. Trade receivables disclosed above include amounts which are past due at the end of the financial year but against which the Group and the Company have not recognised an allowance for impaired receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group and the Company do not hold any collateral or other credit enhancements over these balances nor do they have a legal right of offset against any amounts owed by the Group and the Company to the counterparty.

Analysis of trade receivables as of the end of the financial year was:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	**52,909**	45,176	**42,993**	38,638
Past due but not impaired:				
1 month	**6,529**	5,684	**5,414**	5,664
2 months	**576**	764	**457**	791
3 months	**424**	677	**340**	677
More than 3 months	**166**	235	**44**	214
	7,695	7,360	**6,255**	7,346
Total trade receivables	**60,604**	52,536	**49,248**	45,984

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

17. AMOUNTS RECEIVABLE FROM SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Amounts receivable from subsidiaries:		
Trade related	**16,946**	11,381
Non-trade related	**36,154**	4,937
	53,100	16,318

Amounts receivable from subsidiaries are unsecured, interest free and repayable on demand, except for the trade transactions which are repayable within the normal trade terms of 15 to 90 days (2016: 90 days).

Analysis of ageing of past due but not impaired for the trade related inter-company transactions as of the end of the financial year was:

	Company	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	**13,083**	11,138
Past due but not impaired:		
1 month	**2,751**	243
2 months	**544**	-
3 months	**568**	-
	3,863	243
	16,946	11,381

18. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are carried at fair value through profit or loss.

	Group and Company					
	2017			2016		
	Contract Value RM'000	Assets RM'000	Liabilities RM'000	Contract Value RM'000	Assets RM'000	Liabilities RM'000
Foreign currency forward contracts:						
Buy contracts	1,461	6	-	2,842	21	-
Sell contracts	-	-	-	15,942	-	(570)
		6	-		21	(570)

19. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	Number of ordinary shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Issued and fully paid ordinary shares				
As of January 1	273,246	113,853	136,623	113,853
Split shares	-	113,852	-	-
Bonus shares	54,649	45,541	27,324	22,770
Gain on disposal of treasury shares	-	-	216	-
As of December 31	327,895	273,246	164,163	136,623
Treasury shares				
As of January 1			(2,354)	-
Share buy-back			(4,490)	(3,371)
Disposal of treasury shares			6,336	1,017
As of December 31			(508)	(2,354)

During the financial year, the Company issued bonus shares of 54,649,038 on the basis of two (2) bonus shares for every ten (10) existing ordinary shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets. In respect of the Company's treasury shares that are held by the Company, all rights are suspended until those shares are reissued.

During the financial year, the Company repurchased 2,023,600 (2016: 1,602,900) of its own shares through purchases on Bursa Malaysia Securities Berhad. The total amount paid for the acquisition of the shares was RM4,490,484 (2016: RM3,370,843) 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 RM2.22 (2016: RM2.10). The Company had also disposed of 2,910,900 (2016: 488,200) treasury shares valued at RM2.25 (2016: RM2.19) for a total net consideration of RM6,552,077 (2016: RM1,070,296) in the open market.

As of December 31, 2017, the Company held 227,400 (2016: 1,114,700) treasury shares out of its 327,894,894 (2016: 273,245,856) issued ordinary shares. The treasury shares are held in accordance with Section 127(6) of the Companies Act 2016 in Malaysia, at a carrying amount of RM508,362 (2016: RM2,354,180).

20. RESERVES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable reserves:				
Share premium	-	2,950	-	2,950
Translation reserve	(1,472)	595	-	-
Warrants reserve	9,837	-	9,837	-
Discount on shares	(9,837)	-	(9,837)	-
Distributable reserve:				
Retained earnings	38,665	51,357	22,673	36,896
	37,193	54,902	22,673	39,846

	Group and Company	
Share premium	2017 RM'000	2016 RM'000
As of January 1	2,950	3,013
Disposal of treasury shares	-	54
Share issuance expenses	-	(117)
Bonus shares	(2,950)	-
As of December 31	-	2,950

The new Companies Act 2016 in Malaysia ("The Act"), which came into effect from January 31, 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of The Act.

Subsequent to the bonus shares issued as disclosed in Note 19 to the financial statements, the amount standing to the credit of its share premium account for purposes as set out in Section 618(3) of The Act had been fully utilised.

	Group	
Translation reserve	2017 RM'000	2016 RM'000
As of January 1	595	288
Exchange differences arising on translation of foreign operations	(2,067)	307
As of December 31	(1,472)	595

Exchange differences relating to the translation from the functional currency of the Group's foreign subsidiaries into RM are accounted for in the translation reserve.

Warrant reserve and Discount on shares

On June 20, 2017, the Company issued 27,324,377 warrants on the basis of one (1) free warrant for every ten (10) existing ordinary shares in the Company, which were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The main features of the warrants are as follows:

	Tenure (years)	Exercise Period Issue date	Exercise Period Expiry date	Exercise price (RM)
Warrants	5	20.6.2017	19.6.2022	2.50

(a) The warrants may be exercised at any time during the tenure of the warrants of five (5) years commencing from the issue date of the warrants and ending on the expiry date. Warrants not exercised during the Exercise Period will thereafter lapse and ceased to be valid;

(b) Each warrant carries the entitlement to subscribe for one (1) new ordinary share at the exercise price of RM2.50 and subject to the adjustments in accordance with the Deed Poll constituting the warrants;

(c) The new shares to be issued upon the exercise of the warrants shall, upon issuance and allotment, rank pari passu in all respects with the existing shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or other forms of distribution which may be declared, made or paid by the Company for which the entitlement date for the distribution precedes the date of allotment and issuance of the new shares; and

(d) The exercise price and number of unexercised warrants are subject to adjustments in accordance with the provisions as set out in the Deed Poll.

There were no warrants exercised during the financial year.

Retained earnings

The entire retained earnings as of December 31, 2017 of the Company is available for distribution as dividend under the single tier system without incurring additional tax liabilities.

21. TRADE AND OTHER PAYABLES

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current:				
Provisions	664	508	664	508
Current:				
Trade payables	46,035	40,286	40,912	39,676
Other payables	2,318	2,483	1,317	1,917
Accrued expenses	9,304	8,286	8,883	8,052
Provisions	252	239	-	-
Deposits payable	3	3	3	3
	57,912	51,297	51,115	49,648

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The Group and the Company have financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Provisions comprise provision for annual and long service leave and defined contribution plan. The movement in the provisions account is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
As of January 1	747	556	508	364
Provisions made during the financial year	175	181	156	144
Currency translation difference	(6)	10	-	-
As of December 31	916	747	664	508

22. LOANS AND BORROWINGS

Group and Company	Non-current RM'000	Current RM'000	Total RM'000
2017			
Secured finance lease liabilities	1,405	2,975	4,380
Unsecured term loans	18,723	13,587	32,310
Unsecured bankers' acceptances	-	33,175	33,175
Unsecured bank overdraft (Note 24)	-	10	10
	20,128	49,747	69,875
2016			
Secured finance lease liabilities	4,379	2,834	7,213
Unsecured term loans	9,038	4,307	13,345
Unsecured bankers' acceptances	-	33,432	33,432
	13,417	40,573	53,990

The Group's and the Company's finance leases are secured by the financial institutions' charge over the assets under finance lease.

The term loans and credit facilities of the Group and of the Company were granted with a negative pledge over all the Company's assets.

Finance lease liabilities

The non-current portion is repayable as follows:

Group and Company	Future minimum lease payments RM'000	Interest RM'000	Present value minimum lease payments RM'000
2017			
Later than one year but not later than five years	**1,468**	**63**	**1,405**
2016			
Later than one year but not later than five years	4,583	204	4,379

23. DIVIDENDS

	Group and Company 2017 RM'000	Group and Company 2016 RM'000
Fourth interim single tier dividend for 2016 of 1.32 sen per ordinary share, paid on April 10, 2017 (2016: 1.30 sen single tier dividend per ordinary share for 2015, paid on April 8, 2016)	**3,604**	3,552
First interim single tier dividend for 2017 of 1.32 sen per ordinary share, paid on June 22, 2017 (2016: 1.45 sen single tier dividend per ordinary share, paid on June 10, 2016)	**3,607**	3,951
Second interim single tier dividend for 2017 of 1.00 sen per ordinary share, paid on September 20, 2017 (2016: 1.33 sen single tier dividend per ordinary share, paid on September 22, 2016)	**3,275**	3,616
Third interim single tier dividend for 2017 of 1.15 sen per ordinary share, paid on December 28, 2017 (2016: 1.32 sen single tier dividend per ordinary share, paid on December 22, 2016)	**3,764**	3,592
	14,250	14,711

On February 5, 2018, the Directors declared a fourth interim single tier dividend of 1.30 sen per ordinary share, in respect of the financial year ended December 31, 2017 which had been paid on March 21, 2018. The financial statements do not reflect this dividend declared after December 31, 2017, which will be accounted for as an appropriation of retained earnings in the financial year ending December 31, 2018.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended December 31, 2017.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	18,306	15,829	7,613	13,040
Bank overdraft (Note 22)	(10)	-	(10)	-
	18,296	15,829	7,603	13,040

25. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, set out below are the significant related party transactions during the financial year:

	Company	
	2017 RM'000	2016 RM'000
Subsidiaries		
Daibochi Australia Pty. Ltd.		
- Sale of goods	67,790	58,643
Daibochi New Zealand Limited		
- Sale of goods	3,613	3,325
Daibochi Land Sdn. Bhd.		
- Repayment of advances	2,036	2,050
Daibochi Packaging (Myanmar) Company Limited		
- Sale of goods	1,540	-
- Purchase of goods	1,638	-
- Sale of property, plant and equipment	1,064	-
Daibochi Flexibles Sdn. Bhd.		
- Advances (net of repayment)	32,193	41
- Loan interest recharged	254	-

Compensation of key management personnel

The remuneration of key management personnel, excluding Directors of the Company which is disclosed in Note 7 to the financial statements, during the financial year is as follows:

	Group and Company	
	2017 RM'000	2016 RM'000
Short-term employee benefits	1,730	1,558
Defined contribution plans	487	453
	2,217	2,011

26. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets				
Derivative financial assets	6	21	6	21
Loans and receivables:				
Trade and other receivables	63,529	56,679	52,173	50,070
Deposits	284	272	254	241
Amounts receivable from subsidiaries	-	-	53,100	16,318
Cash and bank balances	18,306	15,829	7,613	13,040
Financial liabilities				
Derivative financial liabilities	-	570	-	570
Other financial liabilities measured at amortised cost:				
Trade and other payables	58,576	51,805	51,779	50,156
Loans and borrowings	69,875	53,990	69,875	53,990

Financial Risk Management Objectives and Policies

The operations of the Group and of the Company are subject to a variety of financial risks, including market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk, cash flow risk and investment risk. The Group and the Company have taken measures to minimise the Group's and the Company's exposure to risk and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(a) Market risk

The Group and the Company enter into derivative financial instruments through profit or loss to manage its exposure to foreign currency risk, including foreign currency forward contracts to hedge the exchange rate risk arising from the collections and payments.

Market risk exposures are measured and supplemented by sensitivity analysis as disclosed in Notes 26(a)(i) and 26(a)(ii) to the financial statements.

There has been no change to the Group's and the Company's exposure to market risks or the manner in which these risks are managed and measured.

(i) Foreign currency risk

The Group and the Company have exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading activities.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as of the end of the financial year were:

Group	United States Dollar RM'000	Australian Dollar RM'000	Thai Baht RM'000	Euro RM'000	Singapore Dollar RM'000	New Zealand Dollar RM'000
	Denominated in					
2017						
Trade receivables	**7,217**	**-**	**10,076**	**-**	**34**	**-**
Other receivables	**31**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**4,112**	**-**	**-**	**-**	**-**	**-**
Trade payables	**(10,912)**	**(268)**	**-**	**-**	**-**	**-**
Other payables	**(2)**	**-**	**-**	**(17)**	**(6)**	**-**
Term loan	**(23,229)**	**-**	**-**	**-**	**-**	**-**
Unsecured bankers' acceptances	**(9,282)**	**-**	**-**	**-**	**-**	**-**
2016						
Trade receivables	9,661	-	7,723	-	1	-
Other receivables	167	-	-	-	-	-
Cash and cash equivalents	1,281	485	-	-	-	-
Trade payables	(4,224)	(1,574)	-	-	-	-
Other payables	(137)	-	-	(5)	-	-
Unsecured bankers' acceptances	(9,903)	-	-	-	-	-

Company	United States Dollar RM'000	Australian Dollar RM'000	Thai Baht RM'000	Euro RM'000	Singapore Dollar RM'000	New Zealand Dollar RM'000
2017						
Trade receivables	**6,142**	**-**	**10,076**	**-**	**34**	**-**
Other receivables	**31**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**317**	**-**	**-**	**-**	**-**	**-**
Amounts receivable from subsidiaries	**5,205**	**10,971**	**-**	**-**	**-**	**1,828**
Trade payables	**(6,889)**	**(268)**	**-**	**-**	**-**	**-**
Other payables	**(2)**	**-**	**-**	**(17)**	**(6)**	**-**
Term loan	**(23,229)**	**-**	**-**	**-**	**-**	**-**
Unsecured bankers' acceptances	**(9,282)**	**-**	**-**	**-**	**-**	**-**
2016						
Trade receivables	9,446	-	7,723	-	1	-
Other receivables	167	-	-	-	-	-
Cash and cash equivalents	1,178	485	-	-	-	-
Amounts receivable from subsidiaries	465	9,592	-	-	-	1,325
Trade payables	(4,224)	(1,574)	-	-	-	-
Other payables	(137)	-	-	(5)	-	-
Unsecured bankers' acceptances	(9,903)	-	-	-	-	-

The Group and the Company manage its foreign exchange exposure by matching revenue and costs in the relevant currency and where exposure is certain, the Group and the Company use foreign currency forward contracts to manage these foreign risks.

Foreign currency sensitivity analysis

A 5% strengthening of the Ringgit Malaysia against the following currencies at the reporting date would have increased/(decreased) profit by the amounts shown below.

	Increase/(Decrease) in profit			
	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
United States Dollar	1,603	158	1,385	150
Australian Dollar	13	54	(535)	(425)
Thai Baht	(504)	(386)	(504)	(386)
Other currencies	*	*	(92)	(66)
	1,112	(174)	254	(727)

* Less than RM1,000

(ii) Interest rate risk

The Group and the Company are exposed to interest rate risk through the impact of rate changes on interest bearing term loans and short-term borrowings as disclosed in Note 22 to the financial statements.

Interest rate sensitivity analysis

An interest rate at the end of the financial year is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates. The Group's and the Company's sensitivity based on a change of 25 basis points in interest rates at the end of the financial year would have increased/decreased the profit by the amount shown below. This analysis assumes that all other variables, remain constant.

	Group and Company	
	2017 RM'000	2016 RM'000
Increase/Decrease in profit	±81	±33

(b) Credit risk

The Group's and the Company's exposure to credit risk arises from its receivables and the maximum risk associated with recognised financial assets are the carrying amounts as presented in the statements of financial position.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit.

Other than the customers disclosed in Notes 16 and 28 to the financial statements, the Group has no significant concentration of credit risk with respect to trade receivables. The credit risk is further mitigated by the ongoing critical evaluation of the creditworthiness of the customers by the Company's Credit Committee.

For cash and cash equivalents, the credit risk is minimal as the funds are placed with reputable financial institutions.

(c) Liquidity risk

The Group and the Company practise prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirements of working capital. Since liquidity risk is closely linked to credit risk, the previously mentioned credit risk control mechanism applies to the monitoring and managing of liquidity risk.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the end of the financial year based on undiscounted contractual repayment obligations.

Group	Contractual annual interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000
2017					
Trade and other payables	-	58,576	58,576	57,912	664
Loans and borrowings:					
Finance lease liabilities	2.47-2.72	4,380	4,583	3,115	1,468
Term loans	2.56-4.41	32,310	33,637	14,409	19,228
Bankers' acceptances	1.70-4.01	33,175	33,373	33,373	-
Bank overdraft	7.75	10	10	10	-
		128,451	130,179	108,819	21,360
2016					
Trade and other payables	-	51,805	51,805	51,297	508
Loans and borrowings:					
Finance lease liabilities	2.47-2.72	7,213	7,698	3,115	4,583
Term loans	4.05-4.41	13,345	14,314	4,792	9,522
Bankers' acceptances	1.08-3.83	33,432	33,584	33,584	-
Derivative financial liabilities	-	570	570	570	-
		106,365	107,971	93,358	14,613

Company	Contractual annual interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000
2017					
Trade and other payables	**-**	**51,779**	**51,779**	**51,115**	**664**
Loans and borrowings:					
Finance lease liabilities	**2.47-2.72**	**4,380**	**4,583**	**3,115**	**1,468**
Term loans	**2.56-4.41**	**32,310**	**33,637**	**14,409**	**19,228**
Bankers' acceptances	**1.70-4.01**	**33,175**	**33,373**	**33,373**	**-**
Bank overdraft	**7.75**	**10**	**10**	**10**	**-**
		121,654	**123,382**	**102,022**	**21,360**
2016					
Trade and other payables	-	50,156	50,156	49,648	508
Loans and borrowings:					
Finance lease liabilities	2.47-2.72	7,213	7,698	3,115	4,583
Term loans	4.05-4.41	13,345	14,314	4,792	9,522
Bankers' acceptances	1.08-3.83	33,432	33,584	33,584	-
Derivative financial liabilities	-	570	570	570	-
		104,716	106,322	91,709	14,613

The finance lease liabilities of the Group and of the Company are repayable by 36 to 60 monthly instalments (2016: 36 to 60 monthly instalments). The term loans of the Group and of the Company are repayable by 36 to 60 monthly instalments (2016: 60 monthly instalments).

(d) Cash flow risk

The Group and the Company review the cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

(e) Investment risk

The investment in Myanmar is subject to certain restrictions as imposed by the Myanmar Investment Commission ("MIC"). For the transfer of foreign currencies out from Myanmar in respect of transfer of shares, dividend and profit repatriation, it will need to apply and obtain the approval from the MIC by submitting the relevant documents.

(f) Fair values

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statements of financial position.

Group and Company	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2017					
Financial asset					
Foreign currency forward contracts	-	6	-	6	6
Financial liability					
Foreign currency forward contracts	-	-	-	-	-
2016					
Financial asset					
Foreign currency forward contracts	-	21	-	21	21
Financial liability					
Foreign currency forward contracts	-	570	-	570	570

Group and Company	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2017					
Financial liability					
Loans and borrowings:					
Finance lease liabilities	-	4,082	-	4,082	4,380
Term loans	-	30,598	-	30,598	32,310
2016					
Financial liability					
Loans and borrowings:					
Finance lease liabilities	-	6,593	-	6,593	7,213
Term loans	-	12,197	-	12,197	13,345

(i) **Derivatives**

The fair value of forward exchange contracts is estimated between the contractual forward price and the current forward price for the residual maturity of the current contract using a market interest rate (from observable forward exchange rates at the end of the financial year).

(ii) **Non-derivatives financial liability**

The fair values of finance lease liabilities and term loans are estimated using discounted cash flow analysis based on the effective interest rates.

The effective interest rates used to discount estimated cash flows, when applicable, are as follows:

	Group and Company	
	2017	**2016**
Finance lease liabilities	**4.78% - 5.26%**	4.78% - 5.26%
Term loans	**2.59% - 4.50%**	4.12% - 4.50%

Non-current provisions

The carrying amount of provision for long service leave and defined contribution plan are measured at the present value of the estimated future cash flows approximate its fair value.

Cash and cash equivalents, short-term borrowings, inter-company indebtedness, trade and other receivables, trade and other payables

The carrying amounts approximate their fair values because of the short-term maturity of these instruments.

(g) **Reconciliation of liabilities arising from financing activities**

The reconciliation of movements of liabilities to cash flow arising from financing activities is as follows:

Group and Company	January 1, 2017 RM'000	Cash flows RM'000	Interest expense RM'000	Others RM'000	December 31, 2017 RM'000
Loans and borrowings:					
Term loans	13,345	18,231	734	-	32,310
Bankers' acceptances	33,432	(257)	-	-	33,175
Finance leases	7,213	(3,115)	282	-	4,380
Bank overdraft	-	-	-	10	10
	53,990	14,859	1,016	10	69,875

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's and the Company's approach to capital management remain unchanged from 2016.

The capital structure of the Group and of the Company consists of total borrowings as detailed in Note 22 to the financial statements and equity of the Group and of the Company which are defined as issued capital, reserves and retained earnings as detailed in Notes 19 and 20 to the financial statements.

During the financial year, the Group's and the Company's strategy which was unchanged from 2016 was to maintain the gearing ratio within manageable levels. The gearing ratios as of December 31, 2017 and December 31, 2016 were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
Total borrowings (RM'000)	**69,875**	53,990	**69,875**	53,990
Total equity (RM'000)	**221,902**	189,171	**186,328**	174,115
Gearing ratios	**0.31**	0.29	**0.38**	0.31

With respect to banking facilities that the Company has with financial institutions, the Group or the Company is subjected to the following covenants:

(a) to maintain the gearing ratio of the Group does not exceed one time at all times;

(b) to ensure that the gearing ratio of the Company does not exceed one time at all times without the prior written consent of a financial institution;

(c) not to declare dividends which are more than 75% of the Company's current year profit after tax without the prior written consent of a financial institution which consent shall not be unreasonably withheld; and

(d) inter-company advances to subsidiaries and associates are not to exceed 45% of the Company's net worth without the prior written consent of a financial institution.

28. OPERATING SEGMENTS

No segment information has been prepared for financial year ended December 31, 2017 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.

The Group's financial performance from continuing operations and information about its non-current assets* by geographical location are detailed below.

	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
2017								
Revenue								
-external	298,320	72,606	4,430	375,356	13,291	388,647	-	388,647
-internal	72,944	-	-	72,944	1,638	74,582	(74,582)	-
	371,264	72,606	4,430	448,300	14,929	463,229	(74,582)	388,647
Profit by geographical location	33,945	1,255	131	35,331	3,559	38,890	(4,296)	34,594
Share of profit of equity-accounted associate								1,154
Profit before tax								35,748
2016								
Revenue								
-external	306,725	61,334	3,099	371,158	-	371,158	-	371,158
-internal	61,968	-	-	61,968	-	61,968	(61,968)	-
	368,693	61,334	3,099	433,126	-	433,126	(61,968)	371,158
Profit by geographical location	32,255	539	137	32,931	-	32,931	(3,071)	29,860
Share of profit of equity-accounted associate								90
Profit before tax								29,950
Non-Current Assets*								
As of December 31, 2017	129,674	65	-	129,739	42,831	172,570	655	173,225
As of December 31, 2016	141,121	100	-	141,221	-	141,221	(3)	141,218

* Non-current assets do not include investments in subsidiaries or an associate and deferred tax assets.

Information about major customers

Revenue from three major customers of the Group amounted to RM197,423,000 (2016: RM175,130,000 for three major customers). For the purposes of this disclosure, a major customer is defined as one in which revenue from transactions with a single customer amounts to 10% or more of the Group's revenue.

29. COMMITMENTS

(a) Capital commitments

As of December 31, 2017, the Group and the Company have the following capital commitments in respect of the purchase of property, plant and equipment:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for	**5,867**	58	**5,867**	58
Authorised but not contracted for	**15,518**	12,000	**9,238**	12,000

(b) Lease commitments

The future minimum lease payments payables under non-cancellable operating lease commitments are:

	Group	
	2017	2016
	RM'000	RM'000
Future minimum lease payments payables:		
Not later than 1 year	**604**	94
Later than 1 year but not later than 2 years	**557**	96
Later than 2 years but not later than 5 years	**1,444**	49
Later than 5 years	**3,228**	-
	5,833	239

Operating lease commitment is in respect of premises. The lease is negotiated for a term of 3 and 15 years (2016: 3 years).

Statement By Directors

Pursuant to Section 251(2) & (3) of the Companies Act 2016

The Directors of **DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD**. state that, in their opinion, the financial statements set out on pages 64 to 119 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2017 and of their financial performance and the cash flows for the financial year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the Directors,

HENG FU JOE **LIM SOO KOON**

Melaka
April 4, 2018

Declaration By The Officer Primarily Responsible For The Financial Management Of The Company

Pursuant to Section 251(1) of the Companies Act 2016

I, TAN GAIK HONG, the officer primarily responsible for the financial management of **DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD**., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 64 to 119, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

TAN GAIK HONG

Subscribed and solemnly declared by the abovenamed TAN GAIK HONG at MELAKA this 4th day of April, 2018.

Before me,

SHAHRIZAH BINTI YAHYA
COMMISSIONER FOR OATHS

Statement Of Shareholdings *AS AT MARCH 31, 2018*

Total number of Issued Shares	: 327,898,483 ordinary shares
Issued Share Capital	: RM164,175,860
Class of shares	: Ordinary shares
Voting rights	: One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares held	%
1 - 99	66	2.94	1,967	-
100 - 1,000	304	13.56	88,087	0.03
1,001 - 10,000	653	29.13	3,243,420	0.99
10,001 - 100,000	1,036	46.21	26,308,042	8.02
100,001 to less than 5% of issued shares	180	8.03	220,505,351	67.25
5% and above of issued shares	3	0.13	77,751,616	23.71
Total	2,242	100.00	327,898,483	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct interests		Deemed interests^	
Name	No. of shares held	%	No. of shares held	%
Low Chan Tian	33,847,461	10.32	-	-
HSBC Nominees (Asing) Sdn Bhd - TNTC for Apollo Asia Fund Ltd.	30,708,576	9.37	-	-
Lim Koy Peng	27,746,800	8.46	-	-
HSBC Nominees (Asing) Sdn Bhd - KBL Euro PB for Samarang UCITS - Samarang Asian Prosperity	19,296,240	5.89	-	-
Datuk Wira Wong Soon Lim	17,817,961	5.43	1,240,000	0.38

DIRECTORS' SHAREHOLDINGS

	Direct interests		Deemed interests^	
Name	No. of shares held	%	No. of shares held	%
Low Geoff Jin Wei	13,686,969	4.17	-	-
Lim Soo Koon	518,400	0.16	-	-
Caroline Ang Choo Bee	17,280	0.01	77,760	0.02
Heng Fu Joe	-	-	-	-
Faris Salim Cassim	-	-	-	-

^ *Deemed interests through spouse/child.*

THIRTY LARGEST SHAREHOLDERS

(Without aggregating the securities from different securities accounts belonging to the same registered holder)

No.	Name	No. of shares	% of issued shares
1	HSBC Nominees (Asing) Sdn Bhd - TNTC for Apollo Asia Fund Ltd.	30,708,576	9.37
2	Lim Koy Peng	27,746,800	8.46
3	HSBC Nominees (Asing) Sdn Bhd - KBL Euro PB for Samarang UCITS - Samarang Asian Prosperity	19,296,240	5.88
4	Low Geoff Jin Wei	13,686,969	4.17
5	Low Chan Tian	13,660,620	4.17
6	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB for Yulina Binti Baharuddin (PB)	13,271,040	4.05
7	Amanahraya Trustees Berhad - Public Islamic Opportunities Fund	13,245,228	4.04
8	Chua Ah Nee	12,875,980	3.93
9	Low Chan Tian	12,538,022	3.82
10	Chew Soon Heng	10,133,630	3.09
11	DB (Malaysia) Nominee (Tempatan) Sdn Bhd - Exempt AN for Bank of Singapore Limited	8,640,000	2.63
12	RHB Nominees (Tempatan) Sdn Bhd - Low Chan Tian	7,648,819	2.33
13	Amanahraya Trustees Berhad - Public Islamic Select Treasures Fund	7,598,160	2.32
14	Datuk Wira Wong Soon Lim	7,415,401	2.26
15	Public Invest Nominees (Tempatan) Sdn Bhd - Wong Yoke Fong @ Wong Nyok Fing (M)	4,975,776	1.52
16	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Aberislamic)	4,415,500	1.35
17	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Mak Tian Meng (MY0343)	3,982,048	1.21
18	DB (Malaysia) Nominee (Tempatan) Sdn Bhd - Deutsche Trustees Malaysia Bhd for Eastspring Investments Small-Cap Fund	3,922,500	1.20
19	Lim Keat Sear	3,017,088	0.92
20	Yong Noni	2,920,780	0.89
21	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	2,803,160	0.85
22	Tan Booi Charn	2,712,000	0.83
23	Low Chung Kuay	2,560,424	0.78
24	Citigroup Nominees (Tempatan) Sdn Bhd - Cheong Siew Chyuan (470322)	2,160,000	0.66
25	DB (Malaysia) Nominee (Tempatan) Sdn Bhd - Deutsche Trustees Malaysia Bhd for Eastspring Investments Islamic Small-Cap Fund	2,122,400	0.65
26	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (Espg IV SC E)	2,073,580	0.63
27	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities for Mak Tian Meng	1,907,616	0.58
28	Citigroup Nominees (Asing) Sdn Bhd - Exempt an for Citibank New York (Norges Bank 14)	1,899,840	0.58
29	Chew Gee Lan	1,871,708	0.57
30	Amanahraya Trustees Berhad - Public Islamic Emerging Opportunities Fund	1,855,280	0.57
	Total	243,665,185	74.31

Statement Of Warrant Holdings *AS AT MARCH 31, 2018*

Total number of issued warrants	:	27,324,377
Total number of unexercised warrants	:	27,320,788
Exercise price per warrant	:	RM 2.50
Expiry date of warrants	:	19 June 2022

DISTRIBUTION OF WARRANT HOLDINGS

Size of warrant holdings	No. of warrant holders	%	No. of warrants held	%
1 - 99	326	16.14	7,461	0.03
100 - 1,000	872	43.17	513,933	1.88
1,001 - 10,000	677	33.51	1,961,670	7.18
10,001 - 100,000	111	5.50	3,642,284	13.33
100,001 to less than 5% of issued warrants	31	1.53	14,716,139	53.86
5% and above of issued warrants	3	0.15	6,479,301	23.72
Total	2,020	100.00	27,320,788	100.00

DIRECTORS' WARRANT HOLDINGS

Name	Direct interests No. of warrants held	%	Deemed interests^ No. of warrants held	%
Low Geoff Jin Wei	1,140,580	4.17	-	-
Lim Soo Koon	43,200	0.16	-	-
Caroline Ang Choo Bee	1,440	0.01	6,480	0.02
Heng Fu Joe	-	-	-	-
Faris Salim Cassim	-	-	-	-

^ *Deemed interests through spouse.*

THIRTY LARGEST WARRANT HOLDERS

(Without aggregating the warrants from different accounts belonging to the same depositor)

No.	Name	No. of warrants	% of issued warrants
1	HSBC Nominees (Asing) Sdn Bhd - TNTC for Apollo Asia Fund Ltd.	2,559,048	9.37
2	Lim Koy Peng	2,312,233	8.46
3	HSBC Nominees (Asing) Sdn Bhd - KBL Euro PB For Samarang UCITS - Samarang Asian Prosperity	1,608,020	5.89
4	Low Geoff Jin Wei	1,140,580	4.17
5	Low Chan Tian	1,138,385	4.17
6	Amanahraya Trustees Berhad - Public Islamic Opportunities Fund	1,124,844	4.12
7	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB for Yulina Binti Baharuddin (PB)	1,105,920	4.05
8	Chua Ah Nee	1,072,998	3.93
9	Low Chan Tian	1,044,835	3.82
10	Chew Soon Heng	844,469	3.09
11	DB (Malaysia) Nominee (Tempatan) Sdn Bhd - Exempt AN for Bank of Singapore Limited	720,000	2.63
12	RHB Nominees (Tempatan) Sdn Bhd - Low Chan Tian	637,401	2.33
13	Amanahraya Trustees Berhad - Public Islamic Select Treasures Fund	633,180	2.32
14	Datuk Wira Wong Soon Lim	617,950	2.26
15	HSBC Nominees (Asing) Sdn Bhd - Exempt an for Morgan Stanley & Co. International PLC (IPB Client Acct.)	609,354	2.23
16	Public Invest Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (M)	414,648	1.52
17	DB (Malaysia) Nominee (Asing) Sendirian Berhad - The Bank of New York Mellon for the board of Regents of The University of Texas System (MY03430)	400,448	1.47
18	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Mak Tian Meng (MY0343)	333,504	1.22
19	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Aberislamic)	275,900	1.01
20	Lim Kiat Sear	251,424	0.92
21	Yong Noni	243,398	0.89
22	Tan Booi Charn	226,000	0.83
23	Low Chung Kuay	214,202	0.78
24	Tan Booi Charn	204,900	0.75
25	Khoo Seng Keat	188,900	0.69
26	Citigroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Siew Chyuan (470322)	180,000	0.66
27	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	162,100	0.59
28	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities for Mak Tian Meng	158,968	0.58
29	Chew Gee Lan	155,975	0.57
30	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Datuk Wira Wong Soon Lim (Daibochi)	146,880	0.54
	Total	20,726,464	75.86

List Of Properties

Location	Description	Age of buildings	Area	Tenure	Date of acquisition	Net carrying amount as of December 31, 2017 RM'000
Lot 3531 - 3533, Jalan Bemban, Kawasan Perindustrian Jasin, 77000 Jasin, Melaka	Land & factory buildings	1 building - 4 years 1 building - 2 years	2.120 hectares	Freehold	08.02.2013	15,255
Lot 7, Air Keroh Industrial Estate, Phase IV, 75450 Melaka	Land & factory buildings	2 buildings - 25 years 3 buildings - 24 years 1 building - 23 years 1 building - 22 years	2.692 hectares	Leasehold expiring on 24.05.2091	29.10.1991	12,843
Lot 3, Air Keroh Industrial Estate, Phase IV, 75450 Melaka	Land & factory buildings	1 building - 25 years 2 buildings - 22 years 1 building - 18 years 1 building - 17 years 1 building - 13 years	2.062 hectares	Leasehold expiring on 24.05.2091	03.07.1995	11,898
PT 2598, Mukim of Bukit Baru, 75450 Melaka	Land & warehouse cum office building	1 building - 24 years 1 building - 7 years	0.834 hectares	Leasehold expiring on 11.05.2094	24.05.2004	4,681

Form Of Proxy

CDS Account No.	
No. of shares held	

I/We……………………………………………………………………………………………………......(FULL NAME IN BLOCK LETTERS)

IC No./ID No./Company No...(NEW & OLD IC No.)

of……………………………………………………………………………………………….................................. (FULL ADDRESS)

being a member(s) of **DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD**, hereby appoint

…………………………………………………………………………………………….............(FULL NAME IN BLOCK LETTERS)

IC No./ID No. ....……………………………………………………………………………………………….......(NEW & OLD IC No.)

of …………………………………………………………………………………………………….….................(FULL ADDRESS)

and/or failing whom………………………………………………………………….……………(FULL NAME IN BLOCK LETTERS)

IC No./ID No. ....……………………………………………………………………………………………….......(NEW & OLD IC No.)

of ……………………………………………………………………………………………………...................(FULL ADDRESS)

or failing him/her THE CHAIRMAN OF THE MEETING as my/our proxy to attend, participate, speak and vote for me/us on my/our behalf at the Forty Fifth (45th) Annual General Meeting (AGM) of the Company to be held at Bunga Melati, 7th Floor, Ramada Plaza Melaka, Jalan Bendahara, 75100 Melaka on Friday, June 8, 2018 at 11.30 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below.

ORDINARY BUSINESS		FOR	AGAINST
1. Approval of Non-Executive Directors' fees	Resolution 1		
2. Approval of Non-Executive Directors' benefits	Resolution 2		
3. Re-election of Director under Article 103 of the Company's Constitution - Mr. Low Geoff Jin Wei	Resolution 3		
4. Re-election of Director under Article 94 of the Company's Constitution - Mr. Faris Salim Cassim	Resolution 4		
5. To re-appoint retiring Auditors, Messrs Grant Thornton Malaysia	Resolution 5		
SPECIAL BUSINESS		**FOR**	**AGAINST**
6. Authority for Directors to allot shares pursuant to Section 75 of the Companies Act 2016	Resolution 6		
7. Proposed renewal of share buy-back authority	Resolution 7		
8. Proposed Change of Company's Name from "Daibochi Plastic And Packaging Industry Bhd" to "Daibochi Berhad"	Resolution 8		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion)

Signature/Common Seal

Contact No. : ______________________

Date: ______________________

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

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 on his/her behalf 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 attorney duly authorised.
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.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD.
Kompleks Daibochi Plastic
Lot 3 & 7 Air Keroh Industrial Estate, Phase IV,
75450 Melaka. West Malaysia.
P.O.Box 263, 75750 Melaka, West Malaysia.

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

DAIBOCHI

KOMPLEKS DAIBOCHI PLASTIC,
LOT 3 & 7, AIR KEROH INDUSTRIAL ESTATE,
PHASE IV 75450 MELAKA, WEST MALAYSIA

P.O. BOX 263, 75750 MELAKA, WEST MALAYSIA
TEL: 06-231 2746 I FAX: 06-232 8988
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