

MINUTES OF THE FORTY FIRST ANNUAL GENERAL MEETING (“AGM”) OF THE COMPANY HELD AT BUNGA MELATI ROOM, LEVEL 7, RAMADA PLAZA MELAKA, JALAN BENDAHARA, 75100 MELAKA ON THURSDAY, 29 MAY 2014 AT 11.30 A.M.

PRESENT: Mr P. James Edwin A/L Louis Pushparatnam (In the Chair)
Datuk Wong Soon Lim
Mr Low Chan Tian
Mr Lim Soo Koon
Mr Low Geoff Jin Wei
Mr Heng Fu Joe
Ms Caroline Ang Choo Bee
9 members and 7 proxy holders

BY INVITATION: Ms Julia Pong (representative Aquilas Advisory (M) Sdn Bhd)
Mr Hooi Kok Mun (representing Messrs SJ Grant Thornton)
Mr Ng Chee Hoong (representing Messrs SJ Grant Thornton)

IN ATTENDANCE: Ms Tan Gaik Hong

CHAIRMAN’S OPENING REMARKS

- 1.1 The Chairman, after confirming that there was a quorum, called the meeting to order at 11.30 a.m. The Chairman welcomed all those present at the meeting, thanked them for their presence and introduced the members of the Board and the Company Secretary to the shareholders.
- 1.2 The Chairman informed the members that the form of voting at the meeting will be by way of show of hands. In line with the Company’s commitment towards promoting good corporate governance, the Chairman further informed the members of their right to demand for a poll on the resolutions to be tabled at the meeting in line with recommendation 8.2 of the Malaysian Code on Corporate Governance 2012.

NOTICE OF MEETING

2. The Notice of Meeting, having been circulated earlier was taken as read.
- 2.1 Before commencing the official business of the meeting, the Chairman called on the Managing Director of the Company, Mr Lim Soo Koon (“Mr Lim/”the MD”) to give a presentation featuring an overview of Daibochi’s business and products, operational highlights and plans and 2013 financial performance for the benefit of the Company’s shareholders.

MANAGING DIRECTOR'S PRESENTATION

3. The MD thanked the shareholders for their support and presence and proceeded with the following:-

3.1 Annual General Meeting Corporate Presentation ("AGM Corporate Presentation")
The AGM Corporate Presentation encompassed the following areas:-

(i) Business and Products

Mr Lim provided a brief overview of the Company's flexible packaging business. The shareholders also had the opportunity to view the type of products supplied via the display of laminated flexible packaging materials produced by the Company.

(ii) Expanded Customer Base

In 2013, Daibochi strengthened its position as a regional flexible packaging player by securing the business of supplying materials to a new MNC customer's manufacturing plant in Thailand. The Company commenced delivery of packaging materials for the snack business in 3Q13 and is positive of increasing sales orders for the customer's newly opened second plant in Thailand.

The Company has also secured the business of supplying flexible packaging to a reputable Malaysian based instant beverage manufacturer. Daibochi commenced delivery in 2Q14 and is set to grow alongside the client's regional expansion.

Overall, Daibochi has distinguished itself in the flexible packaging industry with innovative products to facilitate productivity and/or achieve better cost-efficiency for customers.

(iii) Increased Production Capacity

The Company's second factory in Jasin, Daibochi Plastic Plant 2, which is aimed to streamline metallizing and film-making, commenced operations in April 2014. A new metallizer is being commissioned and is expected to be fully operational by June 2014.

Mr Lim proceeded with the video presentation of the film-making and metallizing machines in operation as well as the warehousing facilities in the new Plant 2.

In FYE 2014, Daibochi is looking at investing RM20 million in capital expenditure to increase capacity as well as to improve production efficiency. The capital expenditure would mainly be utilised to acquire a printing machine, metallizer, laminator and electricity savers.

(iv) New Innovations and R&D

Daibochi has developed new innovative products e.g. high-speed film, dual layer packaging and retort packaging in view of the competitive nature of the business and to expand its position globally.

High speed film allows for higher output per minute thereby increasing productivity for customers. Dual-layer packaging replaces the conventional

four-layer packaging but continues to keep products fresh and translates into cost savings for customers. Retort packaging for pre-cooked food in the pet food packaging sector is able to withstand extreme heat when the packed products undergo sterilization.

New innovations have yielded positive results and Daibochi is optimistic of eventual commercialization in the near future.

(v) Awards and Recognition

(a) Nominated by the Malaysian Investor Relations Association (MIRA) for “Best Company for IR – Small Cap” category in the MIRA IR Awards 2013.

(b) Mr Geoff Low was nominated for “Best IR Professional in Small Cap” category.

(c) Won top overall Corporate Governance Award 2013 by the Minority Shareholder Watchdog Group (“MSWG”) in the mid-cap category, amongst companies with market capitalization between RM100-500 million .

(vi) Financial Snapshot

Daibochi achieved a record breaking turnover of RM310 million and PBT of RM36.4 million in FY2013. Market capitalization stood at a record high of RM472.5 million by end-2013.

The Company is mindful of the increased costs e.g. electricity (17%) and labour costs which are inevitable and faced by all manufacturers. Daibochi will persistently continue with its efforts to generate more sales to mitigate the impact.

(vii) Dividend History

Daibochi has a dividend policy to distribute 60% of net profits to shareholders. Dividends are paid on a quarterly basis.

3.2 The MD invited comments or questions from members.

3.3 Mr Shahnul Niza (corporate representative from MSWG), raised the following queries and these were duly replied by Mr Lim as follows:-

(a) Query: Has Daibochi patented its technology and/or innovation?

This issue was addressed at the last Board meeting and Management is in the process of seeking advice from lawyers on the patent application.

(b) Query: The Group’s PBT was flattish until FYE2008 and rose from FYE2009 onwards. Please explain.

2008 was a year of sharp and continuous increase in the price of crude oil with a record high price registered in that year. The increase in price of crude oil resulted in higher raw material costs. Customers were under pressure to convert to lower cost packaging. Daibochi was able to supply innovative value-add lower cost packaging materials, whilst still maintaining or even improving the barrier properties of the materials. This resulted in the increase in PBT from FYE2009.

3.4 With regard to a question raised by Mr Keh Yeow Hwee (“Mr Keh”) on the impact of the Goods and Services Tax (“GST”), Mr Lim explained that there is almost no

impact of GST in relation to Daibochi's key business products as the Company is basically collecting the GST for the Government.

- 3.5 Mr Keh also raised the concern in relation to the exposure of foreign exchange ("FOREX") risk. The MD informed that a major portion of the business is in USD where there is a natural hedge as the Company has purchases and sales in USD. In relation to the sales in AUD and Thai baht, the Company has hedging in place to manage the FOREX exposure. For the year 2013, there was minimal impact from the exposure to FOREX.

There being no further queries on the presentation, the Chairman then proceeded with the following:

AGENDA ITEM 1

4. The audited financial statements for the year ended 31 December 2013 together with the Reports of the Directors ("Reports") were presented to the shareholders.

- 4.1 The Chairman informed the Meeting that the Company received a letter dated 23 May 2014 in relation to the 41st Annual General Meeting ("AGM") from the Minority Shareholder Watchdog Group ("MSWG") and had replied to the issues raised vide its letter dated 27 May 2014. Mr Low Geoff Jin Wei ("Mr Geoff Low"), an Executive Director of the Company, projected and presented the replies in response to the issues raised by MSWG for the benefit of the members.

- 4.2 Ms Chong Sui San ("Ms Chong"), a proxy holder for CIMSEC Nominees (Tempatan) Sdn Bhd commended the Board on Daibochi's market capitalization and the Company's performance as a whole. Ms Chong then raised the following questions, which were duly answered as follows:-

- (a) Query: Daibochi has put in a lot of effort in relation to Research and Development (R&D") for which expenditure is currently being incurred to reap benefits in future. Currently, such expenditure is not disclosed in the financial statements. Moving forward, can the Company segregate and disclose its R&D costs?

The Board took note and will address this matter.

- (b) Query: Does the Company have any plans to issue selective Employee Share Option Scheme ("ESOS") to key employees given that bonus alone may not be sufficient to retain them? The Company may want to consider implementing a staggered ESOS over a period of 3 years. Mr Lim informed that the Company recognizes the importance of retaining its key employees for the business to remain successful in the long term. The Board noted and will look into this proposal.

- 4.3 Mr Shahnul Niza from MSWG raised the following query which was duly replied by Mr Lim as follows:-

Query: What was the consideration taken in the decision to phase out the property business?

The MD explained that the Company decided to focus on its core flexible packaging business portfolio when Daibochi first engaged with the investment community. The Company intends to leverage on its technical know-how and

expertise in the flexible packaging sector and will continue with its “no property business” policy.

- 4.4 Mr Lim Jit Liang, a shareholder informed the Board that he was impressed with the Company’s progress and achievements to date. Mr Lim Jit Liang commented that stockholding is a cost to the Company. He queried on the stock turnover period for raw materials. The MD explained that Daibochi’s stock turnover for raw materials is approximately 30 days and our priority is to meet our customer’s lead time. The on-going trend in the industry is to undertake a balancing act to reduce stockholding and also to be able to meet customers’ requirements. The Board and Management are mindful of this concern and will continue to improve overall processes for the efficient management of the stockholding of raw materials.
- 4.5 The members present did not require any further clarification on the said financial statements and Reports and the said financial statements and Reports were duly received by the shareholders.

The Chairman declared his interest as a Non-Executive Director in Agenda Item 2 and invited Datuk Wong Soon Lim to conduct the proceedings.

AGENDA ITEM 2

5. The resolution to approve the payment of Directors' fees of RM137,000 for the year ended 31 December 2013, having been duly proposed and seconded was passed.

The Chairman resumed conduct of the Meeting.

AGENDA ITEM 3

6. The resolution to re-elect Mr. Heng Fu Joe who retired under Article 103 of the Company’s Articles of Association, having been duly proposed and seconded was passed.

AGENDA ITEM 4

7. The resolution to re-elect Mr Low Geoff Jin Wei, who retired under Article 103 of the Company's Articles of Association, having been duly proposed and seconded was passed.

AGENDA ITEM 5

8. The resolution to appoint retiring auditors, Messrs SJ Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration, having been duly proposed and seconded was passed.

The Chairman declared his interest in Agenda Item 6 and invited Datuk Wong Soon Lim to continue with the proceedings of the Meeting.

AGENDA ITEM 6

9. The resolution to retain Mr P.James Edwin A/L Louis Pushparatnam as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM pursuant to the Malaysian Code on Corporate Governance 2012, having been duly proposed and seconded was passed, with MSWG abstaining from voting in respect of this resolution.

The Chairman resumed conduct of the Meeting.

AGENDA ITEM 7

10. The following ordinary resolution had been duly proposed and seconded:-

"THAT, subject to the provisions of Section 132D of the Companies Act, 1965, and the approval of the relevant authorities, the Directors be and are hereby authorised from time to time to issue and allot ordinary shares in the Company upon such terms and conditions and at such times as may be determined by the Directors to be in the interest of the Company provided always that the aggregate number of shares to be issued pursuant to this resolution shall not exceed ten percent (10%) of the issued share capital for the time being of the Company."

- 10.1 The meeting passed the said resolution with 1 proxy holder voting against and MSWG abstaining from voting in respect of this resolution.

AGENDA ITEM 8

11. The following ordinary resolution, having been duly proposed and seconded was passed:-

"THAT, subject always to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company PROVIDED THAT:

- (a) the total aggregate number of ordinary shares of RM1.00 each in the Company which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase, subject to a restriction that the issued and paid-up share capital of the Company does not fall below the applicable minimum share capital requirement of the Listing Requirements of Bursa Securities;
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing the shares shall not exceed the Company's latest audited retained earnings and/or share premium account;

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

Whichever occurs first;

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

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

AGENDA ITEM 9

- 12. There was no other business to be transacted as the Company did not receive any further notice of business within the stipulated period.

TERMINATION

- 13. The Chairman thanked the members for their presence and support. The meeting ended at 12.25 p.m. with a vote of thanks to the Chair.

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CHAIRMAN