



DENKO INDUSTRIAL CORPORATION BERHAD
(190155-M)
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED
31 MARCH 2013**

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

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DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
Incorporated in Malaysia

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR
THE FOURTH QUARTER ENDED 31 MARCH 2013**

	INDIVIDUAL QUARTER 3 months ended 31 March		CUMULATIVE QUARTERS 12 months ended 31 March	
	2013	2012	2013	2012
	(Unaudited) RM'000	(Unaudited) RM'000	(Unaudited) RM'000	(Audited) RM'000
Revenue	21,557	19,664	93,184	78,293
Cost of Sales	(16,956)	(17,247)	(79,491)	(71,886)
Gross Profit	4,601	2,417	13,693	6,407
Other Income	(207)	84	5,973	1,183
Marketing and Distribution Costs	(864)	(1,053)	(3,568)	(3,268)
Administration Expenses	(1,199)	(2,479)	(6,195)	(8,160)
Other Operating Expenses	(841)	(439)	(2,889)	(3,277)
Profit/(Loss) From Operations	1,490	(1,470)	7,014	(7,115)
Finance Costs	(136)	(555)	(1,564)	(2,291)
Profit/(Loss) Before Tax	1,354	(2,025)	5,450	(9,406)
Taxation	(1,234)	369	(1,076)	218
Profit/ (Loss) Net of Tax for the period	120	(1,656)	4,374	(9,188)
Other Comprehensive Income for the period	-	-	-	-
Total Comprehensive Income / (Loss) attributable to Equity Holders of the parent	120	(1,656)	4,374	(9,188)
Basic, Profit/(Loss) per Ordinary Share (sen)	0.11	(1.59)	4.19	(8.80)
Fully Diluted Profit/(Loss) per Ordinary Share (sen)	-	-	-	-

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
Incorporated in Malaysia

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

	Note	As at 31.03.2013 (Unaudited)	As at 31.03.2012 (Audited)
		RM'000	
<u>ASSETS</u>			
<u>Non-Current Assets</u>			
Property, plant and equipment	9	49,356	55,122
<u>Current Assets</u>			
Inventories		10,970	10,572
Trade and other receivables		18,678	15,869
Current tax asset		1,525	1,859
Cash and bank balances		1,502	2,112
Asset held for sale	24	32,675 -	30,412 6,866
Total Current Assets		32,675	37,278
TOTAL ASSETS		82,031	92,400
<u>EQUITY AND LIABILITIES</u>			
<u>Equity attributable to Equity Holders of the parent</u>			
Share capital		41,788	104,469
Reserves		5,684	7,254
Accumulated losses		(8,133)	(76,758)
TOTAL EQUITY		39,339	34,965
<u>Non-Current Liabilities</u>			
Long term borrowings	25	4,614	6,324
Trade payables and other payables		1,405	8,895
Deferred tax liabilities		5,281	4,944
Total Non-Current Liabilities		11,300	20,163
<u>Current Liabilities</u>			
Trade and other payables		14,485	16,362
Current tax liabilities		713	110
Short term borrowings	25	16,194	16,841
Liabilities directly associated with asset held for sale	25	31,392 -	33,313 3,959
Total Current Liabilities		31,392	37,272
TOTAL LIABILITIES		42,692	57,435
TOTAL EQUITY AND LIABILITIES		82,031	92,400
Net assets per share attributable to Equity Holders of the parent (RM)		0.3766	0.3347

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
Incorporated in Malaysia
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

	Attributable to equity holders of the parent				
	-----Non-distributable-----				
	Share Capital	Share Premium	Revaluation Reserves	Accumulated Losses	Total
	RM'000				
At 1 April 2012	104,469	3,136	4,118	(76,758)	34,965
Capital Reduction	(62,681)	(1,570)	-	64,251	-
Total comprehensive income for the period	-	-	-	4,374	4,374
At 31 MARCH 2013	41,788	1,566	4,118	(8,133)	39,339

At 1 April 2011	104,469	3,136	4,118	(67,570)	44,153
Total comprehensive loss for the period	-	-	-	(9,188)	(9,188)
At 31 MARCH 2012	104,469	3,136	4,118	(76,758)	34,965

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

	Note	12 months to	
		31.03.2013	31.03.2012
		(Unaudited)	(Audited)
		RM'000	
1. Cash flow from operating activities			
Profit (loss) before tax		5,450	(9,406)
<i>Adjustment for investing and financing items not involving movement of cash and cash equivalent</i>			
Impairment/(reversal of impairment) for trade and other receivables		198	101
Bad debts written off		35	1,425
Amortisation of prepaid land lease payment		-	62
Depreciation		6,593	7,513
Impairment losses on property plant and equipment		1,071	218
(Gain)/Loss on disposal of property, plant and equipment		(4,411)	750
Property, plant and equipment written off		78	152
Interest expense		1,564	2,291
Interest income		(47)	(50)
Inventories written off		681	913
Provision for slow moving stocks		138	-
Unrealised gain on foreign exchange		(743)	(257)
Operating profit before working capital changes		10,607	3,712
Net change in inventories		(1,218)	781
Net change in trade and other receivables		(3,043)	1,841
Net change in trade and other payables		(7,679)	(3,355)
Cash generated from operations		(1,333)	2,979
Interest paid		(742)	(477)
Income tax paid		(523)	(189)
Income tax refund		721	-
Net cash (used in)/from operating activities		<u>(1,877)</u>	<u>2,313</u>

The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 MARCH 2013 (continued)

	Note	12 months to	
		31.03.2013 (Unaudited)	31.03.2012 (Audited)
		RM'000	
2. Cash flow from investing activities			
Purchase of fixed assets		(2,050)	(43)
Decrease/(Increase) in pledged fixed deposit		1,521	(28)
Interest received		47	50
Proceed from disposal of fixed asset		11,352	2,738
Net cash from investing activities		10,870	2,717
3. Cash flow from financing activities			
Increase in Short term borrowings		2,076	(181)
Repayment of term loans		(7,079)	(3,986)
Repayment of hire purchase creditors		(1,313)	(2,512)
Interest paid		(822)	(1,815)
Net Advances from Directors		(944)	2,295
Net cash used in financing activities		(8,082)	(6,199)
Net increase/(decrease) in cash and cash equivalents		911	(1,169)
Cash and cash equivalents as at beginning of financial period 1st April		500	1,669
Cash and cash equivalents as at end of financial period 31st March*		<u>1,412</u>	<u>500</u>
<i>*Cash and cash equivalents at the end of the financial period comprise the following:</i>			
Fixed deposits with licensed banks		90	1,611
Cash and bank balances		1,412	500
Bank overdrafts	25	1,502	2,111
		-	-
		1,502	2,111
Less: Fixed deposits pledged to licensed banks		(90)	(1,611)
		<u>1,412</u>	<u>500</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(1) Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements for the year ended 31 March 2012. These explanatory notes attached to the interim financial statements provides an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2012.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2012 except for the adoption of the following Malaysia Financial Reporting Standards (“MFRS”) effective for the financial period beginning 1 April 2012:

	Effective Date
MFRS 1 <i>Adoption of Malaysian Financial Reporting Standards</i>	1 January 2012
MFRS 2 <i>Share-based Payment</i>	1 January 2012
MFRS 3 <i>Business Combinations</i>	1 January 2012
MFRS 4 <i>Insurance Contracts</i>	1 January 2012
MFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2012
MFRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2012
MFRS 8 <i>Operating Segments</i>	1 January 2012
MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2012
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
MFRS 102 <i>Inventories</i>	1 January 2012
MFRS 107 <i>Statement of Cash Flows</i>	1 January 2012
MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2012
MFRS 110 <i>Events After the Reporting Period</i>	1 January 2012
MFRS 112 <i>Income Taxes</i>	1 January 2012
MFRS 116 <i>Property, Plant and Equipment</i>	1 January 2012
MFRS 117 <i>Leases</i>	1 January 2012
MFRS 118 <i>Revenue</i>	1 January 2012
MFRS 119 <i>Employee Benefits</i>	1 January 2012
MFRS 119 <i>Employee Benefits (revised)</i>	1 January 2012
MFRS 121 <i>The Effects of Changes in Foreign Exchange Rates</i>	1 January 2012
MFRS 123 <i>Borrowing Costs</i>	1 January 2012
MFRS 124 <i>Related Party Disclosures</i>	1 January 2012
MFRS 126 <i>Accounting and Reporting by Retirement Benefit Plans</i>	1 January 2012
MFRS 127 <i>Separate Financial Statements</i>	1 January 2012
MFRS 129 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2012
MFRS 131 <i>Interest in Joint Ventures</i>	1 January 2012
MFRS 132 <i>Financial Instruments: Presentation</i>	1 January 2012
MFRS 133 <i>Earnings Per Share</i>	1 January 2012
MFRS 134 <i>Interim Financial Reporting</i>	1 January 2012
MFRS 136 <i>Impairment of Assets</i>	1 January 2012
MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2012
MFRS 138 <i>Intangible Assets</i>	1 January 2012
MFRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2012
MFRS 140 <i>Investment Property</i>	1 January 2012
Improvements to MFRSs (2008)	1 January 2012
Improvements to MFRSs (2009)	1 January 2012
Improvements to MFRSs (2010)	1 January 2012

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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(1) Basis of Preparation (continued)

The MFRSs and IC Interpretations adopted are as follows (continued):

	Effective Date
IC Interpretation 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 January 2012
IC Interpretation 4 <i>Determining Whether an Arrangement Contains a Lease</i>	1 January 2012
IC Interpretation 7 <i>Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyper inflationary Economies</i>	1 January 2012
IC Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 January 2012
IC Interpretation 13 <i>Customer Loyalty Programmes</i>	1 January 2012
IC Interpretation 14 <i>MFRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2012
IC Interpretation 18 <i>Transfers of Assets from Customers</i>	1 January 2012
IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2012
IC Interpretation 113 <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	1 January 2012
IC Interpretation 115 <i>Operating Leases - Incentives</i>	1 January 2012
IC Interpretation 125 <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	1 January 2012
IC Interpretation 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	1 January 2012
IC Interpretation 132 <i>Intangible Assets - Web Site Costs</i>	1 January 2012

The Group adopted the following MFRS framework for the financial year ended 31 March 2013.

MFRS 9 <i>Financial Instruments</i>	1 January 2015
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 127 <i>Consolidated and Separate Financial Statements</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
<i>Mandatory Effective Date of MFRS 9 and Transition Disclosures</i>	1 January 2015

The adoption of the above MFRSs and IC Interpretations did not have any significant effects on the financial statements of the Group.

(2) Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted and disclosed in the audited financial statements for the year ended 31 March 2012 except as mentioned above.

(3) Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report on the financial statements for the year ended 31 March 2012 was not qualified.

PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(4) Segmental Reporting

The Group's operations comprise the following business segments:

Manufacturing

Trading (Consumer Goods) (previously known as Trading)

Management services

Investment holding

Refer Note 19 for Segment Revenue and Segment Results. There is no geographical segmental analysis as the operations of the Group are conducted within Malaysia. All inter segment transactions within the Group have been entered and established on terms and conditions that are not materially different from that entered with unrelated parties.

(5) Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the current quarter under review except for a RM300,000 increase in Staff Costs due to the implementation of the Minimum Wage Order 2012 with effect from 1st January 2013.

(6) Nature and Amount of Changes in Estimates

The Company has not issued any Estimates for the current quarter under review or in the prior financial year.

(7) Comments about Seasonal or Cyclical Factors

Other than the Trading (Consumer Goods) Division where sales peaks in the 3rd quarter of each financial year (October to December) as customers stock up for the traditional Christmas, Year End and Chinese New Year celebrations, the business operations of the Group's performance were not significantly affected by any seasonal and cyclical factors.

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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(8) Property, Plant and Equipment ('PPE')

	12 months ended 31 March	
	2013	2012
	(Unaudited)	(Audited)
	RM'000	
PPE (excluding than Held for Sale) at the beginning of period 1st April	55,122	66,713
Additions	2,050	420
Impairment loss	(1,071)	(535)
Reversal of impairment loss	-	167
Disposals	(74)	(4,064)
Write offs	(78)	(3)
Depreciation and Amortisation	(6,593)	(7,575)
PPE (excluding Held for Sale) at the end of period 31st March	49,356	55,122
PPE Held for Sale at the beginning of period 1st April	6,866	6,866
Disposal	(6,866)	-
PPE Held for sale at the end of period 31st March	(0)	6,866
Total PPE at the end of period 31st March	<u>49,356</u>	<u>61,988</u>

Acquisitions

During the quarter, the Manufacturing Division acquired plant and equipment totalling RM678,000 of which RM487,800 was financed by a Hire Purchase Agreement ("HP"). Motor vehicles acquired by this Division totalled RM280,000; all of which were financed by HP. The HP tenor ranges from 5 to 8 years.

The additional depreciation charges for the current quarter was RM21,000.

Disposals

Motor vehicles with net book value totalling RM20,000 were disposed for a gain of RM35,000.

(9) Inventory Write Offs

The Group recorded inventory write offs totalling RM50,000 in the current quarter (Q4-FY12: RM560,000).

(10) Dividend Paid

No dividend was paid during the current quarter.

(11) Valuation of Property, Plant and Equipment

Land and buildings were brought forward, without amendment from the financial statements for the year ended 31 March 2012.

PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(12) Debt and Equity Securities

The Group did not undertake any other issuance and/or repayment of debt and equity securities, share cancellations, shares buy back and resale of treasury shares during the current quarter.

(13) Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

(14) Commitments

(a) Capital commitments

Details of capital expenditure in respect of purchase of property, plant and equipment are:

	As at 31.03.2013 (Unaudited) RM'000
- Authorised but not contracted	-
- Contracted but not provided	800

(b) Non-Cancellable Operating Lease Commitment

	As at 31.03.2013 (Unaudited) RM'000
Minimum operating lease commitment payable	
- not later than one year	-
- later than one year but not later than five years	-
	-

(15) Changes in Contingent Liabilities and Contingent Assets

	As at 31.03.2013 (Unaudited) RM'000
Contingent liability	
Corporate guarantees provided to financial institutions for credit facilities granted to subsidiaries	<u>20,531</u>
Corporate guarantees provided to subsidiaries' trade suppliers	<u>100</u>

(16) Material Subsequent Events

There were no material events subsequent to the end of the current quarter.

PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(17) Significant Related Parties Transactions

	12 Months ended 31.03.2013 (Unaudited) RM'000
Revenue	
- Supply of plastic parts and tooling	14
Expenses	
- Sub contractor fees	881

The above transactions were entered in the ordinary course of business and established under negotiated and mutually agreed terms.

(18) Profit for the period

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		12 months ended	
		31 March			
		2013	2012	2013	2012
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		RM'000			
1	Interest Income	7	11	47	50
2	Other income including investment income	196	60	767	1,107
3	Interest expense	(136)	(555)	(1,564)	(2,291)
4	Depreciation and amortization	(1,477)	(1,741)	(6,593)	(7,575)
5	Provision for and write off of receivables	(110)	(1,385)	(233)	(1,526)
6	Provision for and write off of inventories	(101)	(587)	(819)	(913)
7	Gain/(loss) on disposal of quoted or unquoted investment or properties	35	397	4,411	(750)
8	Write off/Impairment of assets	(4)	18	(1,149)	(370)
9	Foreign exchange gain/(loss)	133	373	(58)	(292)

Other than the above items, there were no gains or losses on derivatives and exceptional items during the current quarter.

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DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(19) Review of Current Quarter Performance

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTERS 12 months ended	
	31 March			
<u>Segment Revenue</u>	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RM'000			
Manufacturing	14,507	12,984	65,724	50,676
Trading (Consumer Goods)	6,737	6,760	27,271	27,760
Sub-Total (Operating Entities)	21,244	19,744	92,995	78,436
Management services – (Note1)	368	328	1,494	1,555
Investment holding	1,200	1,164	6,115	1,164
Total revenue including inter-segment sales	22,812	21,236	100,604	81,155
Elimination of inter-segment sales	(1, 255)	(1,572)	(7,420)	(2,862)
Total Revenue	21,557	19,664	93,184	78,293
<u>Segment Results</u>				
Manufacturing	825	(1,062)	4,763	(7,890)
Trading (Consumer Goods)	27	(1,081)	174	(953)
Sub-Total (Operating Divisions)	852	(2,143)	4,937	(8,843)
Management services	297	225	1,212	942
Investment holding	1,040	(8,559)	5, 050	(9,956)
Total Profit/(Loss) Before Taxation including inter-segment Profit/(Loss)	2,189	(10,477)	11,199	(17,857)
Eliminations	(835)	8,452	(5,749)	8,452
Profit/(Loss) Before Taxation	1,354	(2,025)	5,450	(9,405)

Note 1: This Division only provides services to members of Denko Group.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

Year on Year 3 months Comparison

(a) **Revenue**

The Group's operating entities comprising the Manufacturing and the Trading (Consumer Goods) Divisions recorded a RM1.5 million increase in Revenue (+7.6%) for the current quarter under review to RM21.2 million (Q4-FY12: RM19.7 million). The Revenue improvement was solely contributed by Manufacturing Division.

All the other Divisions' Revenue were generally flat for the quarter.

(b) **Profit/(Loss) Before Taxation**

As can be seen from Table 1 below, the Group recorded a **Profit from Operations** of approximately RM1million for the current quarter (Q4-FY12: **LOSS** RM391,000) representing a favourable RM1.4 million turnaround. This achievement is largely due to a continuation of the Group's focus on increasing revenue at a lower cost base.

The Group achieved a **Profit before Taxation** of RM1.4 million for the current quarter (Q4-FY12: **LOSS** RM2.0 million). This represents a favourable RM3.4 million turnaround in the Group's performance.

TABLE 1

Reconciliation of Profit before Taxation	Q4-FY13	Q4-FY12	Variance
	<u>RM'000</u>		
Profit / (Loss) from Operations	<u>1,040</u>	<u>(391)</u>	<u>1,431</u>
<u>Adjustment for One-Off Items</u>			
Impairment of Computer Software		(146)	146
Impairment of Trade Marks		(907)	907
Provision For Doubtful Debts		(131)	131
Assets Write-offs		(150)	150
Staff Compensation Write Back/(Expense) (i)	188	(300)	488
Write-Back of Accrued Interest Provision (ii)	126	-	126
Sub-Total	314	(1,634)	1,948
Profit Before Taxation	1,354	(2,025)	3,379

Notes:

(i) *The write back of Staff Compensation relates to a better than expected outcome in settlement negotiations.*

(ii) *The write back of Accrued Interest Provision relates to better than expected outcomes in settling previous long outstanding amounts owing to suppliers.*

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(b) Profit/(Loss) Before Taxation (continued)

The RM3.4 million turnaround for the current quarter is due to the following:

- A 9% increase in the Group's Gross Profit Margin to 21.3% for the current quarter (Q4-FY12: 12.3%) representing a RM2.2 million contribution.
- A RM291,000 (-347%) decrease in Other Income due to:
 - (i) Higher proceeds from sale of scrap metal and plastics;
 - (ii) Write-back of provision for slow moving inventories;
 - (iii) Reclassification of the following gains to Other Income in the current quarter. These gains were previously reported under Other Operating Expenses in the current financial year's financial statements for the last three quarters:
 - Gain on disposal of asset
 - Unrealised foreign exchange gains
 - (iv) Reclassification of Provision for slow moving stocks in the current quarter to Cost of Goods Sold. The provision was previously reported under Other Income in the current financial year's financial statements for the last three quarters.
- A RM189,000 reduction in Marketing & Distribution Costs (-18%) attributed to:
 - (i) Reduction in senior staff recruitment costs; and
 - (ii) Costs savings at the Trading Division largely derived from the strategic decision to outsource the Division's warehouse and logistics operations.
- A RM1.3 million reduction in Administration Expenses (-51%) mainly due to:
 - (i) Reduction in senior executive remuneration; and
 - (ii) The one-off items listed in Table 1 recognised in Q4-FY12 with no equivalent charges during the current quarter.
- A RM402,000 increase in Other Operating expenses (+92%) mainly due to:
 - (i) In Q4-FY12, Gains on disposal of assets and unrealised foreign exchange gains were reported under Other Operating Expenses. Such gains were reported under Other Income in the current quarter; and
 - (ii) The re-classification effects above overshadowed a much reduced stock write-offs in the current quarter.
- A RM419,000 reduction in Finance Costs (-76%) due to:
 - (i) Write back of accrued interest provision;
 - (ii) Lower interest paid on loans as the Group has progressively paid down its term loans and hire purchase facilities.

The Performance of the Group by Division for the current quarter was as follows:

(i) Manufacturing Division

During the current quarter, this Division achieved a RM1.5 million increase in Revenue and a Profit before Taxation of RM825,000 (Q4-FY12: **LOSS** RM1 million).

The RM1.9 million favourable profit turnaround is attributed to the following:

- Increased revenue at both the Plastic Parts and Plastic Packaging sub-segments.
- Reduction in Interest Expense, Depreciation and Amortisation charges; and
- Reduction in obsolete stocks write-offs.

However, this Division's improved performance was partially offset by a RM300,000 increase in labour costs following the implementation of the Minimum Wage Order 2012 with effect from 1 January 2013.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(ii) Trading (Consumer Goods) Division

This Division recorded a RM23,000 decrease (-0.3%) in Revenue for the current quarter to RM6.7 million (Q4-FY12: RM6.8 million) and a Profit Before Taxation of RM27,000 (Q4-FY12: Loss RM1.1 million).

The RM1.1 million favourable turnaround at this Division is due to the one-off RM1.1 million stock write offs and trademarks impairment totalling RM1.1million recorded in the preceding year same quarter (Q4-FY12) with no equivalent charges during the current quarter.

(iii) Investment Holding Division

The significant improvement in this Division's Revenue in the current quarter is due to the receipt of a RM1.2 million dividend declared by a subsidiary.

(20) Comparison with Immediate Preceding Quarter's Results

	INDIVIDUAL QUARTER	
	3 months ended	
	31.03.2013	31.12.2012
	(Unaudited) RM'000	
<u>Segment Revenue</u>		
Manufacturing	14,507	18,484
Trading (Consumer Goods)	6,737	7,274
Sub-Total (Operating Divisions)	21,244	25,758
Management services – (Note 1)	368	386
Investment holding	1,200	4,915
Total revenue including inter-segment sales	22,812	31,059
Elimination of inter-segment sales	(1,255)	(5,349)
Total Revenue	21,557	25,710
<u>Segment Results</u>		
Manufacturing	825	3,150
Trading (Consumer Goods)	27	(14)
Sub-Total (Operating Divisions)	852	3,136
Management services	297	316
Investment holdings	1,040	4,545
Total Profit Before Taxation including inter-segment Profit/(Loss)	2,189	7,997
Eliminations	(835)	(4,914)
Profit Before Taxation	1,354	3,083

Note 1: This Division only provides services to members of Denko Group

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(a) **Revenue**

The Group's operating entities comprising the Manufacturing and the Trading (Consumer Goods) Divisions recorded a RM4.5 million reduction in Revenue (-17.6%) for the current quarter to RM21.2 million (Q3-FY13: RM25.7 million).

(i) **Manufacturing Division**

The RM4 million reduction in Revenue recorded by this Division is mainly due to:

- Revenue at the Plastic Parts sub-segment decreased by RM1.6 million (-12%) to RM12.3 million (Q3-FY13: RM13.9 million) there were lower off takes from customers
- Revenue at the Tool Fabrication sub-segment decreased by RM2.6 million (-84%) to RM530,000 (Q3-FY13: RM3.1 million) as several completed tools were awaiting customer final acceptance before they can be invoiced and recognised as Revenue.

(ii) **Trading (Consumer Goods) Division**

This Division recorded reduction in Revenue of RM537,000 to RM6.7 million (Q3-FY13: RM7.3 million) due to a timing difference. Orders received in March 2013 were delivered in early April 2013. Otherwise, this Division would have recorded an almost unchanged Revenue.

(b) **Profit/(Loss) Before Taxation**

Notwithstanding the reduction in Revenue the Group increased the profit from operations by RM284,000 (+37%) to approximately RM1 million for the current quarter (Q3-FY13: RM756,000).

The improvement was mainly due to the reversal of accrued expenses and savings on interest as the Group continues to reduce its borrowings especially the settlement of a Term Loan in December 2012 following completion of the disposal of land and building by a subsidiary.

However, due to the absence of One-Off adjustments recorded in the previous quarter as detailed in Table 2 below (e.g. there was a RM4.1 million Gain on Disposal of Property Plant and Equipment in the previous quarter) the Group posted a RM1.7 million decrease (-56%) in Profit before Taxation to RM1.3 million (Q3-FY13: RM3,083,000).

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(a) Profit/(Loss) Before Taxation (continued)

TABLE 2

Reconciliation of Profit before Taxation	Q4-FY13	Q3-FY13	Variance
	<u>RM'000</u>		
Profit from Operations	<u>1,040</u>	<u>756</u>	<u>284</u>
<u>Adjustment for One-Off Items</u>			
Gain on Disposal of Property, Plant & Equipment		4,134	(4,134)
Supplier Incentives		181	(181)
Impairment of Plant & Equipment		(1,071)	1,071
Inventory Write offs		(530)	530
Unrealised Foreign Exchange Losses		(113)	113
Assets Write offs		(74)	74
Relocation Cost		(200)	200
Staff Compensation Write Back/(Expense) (i)	188	-	188
Write-Back of Accrued Interest Provision (ii)	126	-	126
Sub-Total	314	2,327	(2,013)
Profit Before Taxation	<u>1,354</u>	<u>3,083</u>	<u>(1,729)</u>

Note:

For Q4-FY13

Refer Notes to **Table 1** for further explanation on the Adjustment for One-Off Items.

For Q3-FY13

- (i) The main component of the Gain on Disposal is the RM4.1 million generated from the sale of a subsidiary's Land and Building.
- (ii) The supplier incentives were booked by the Trading (Consumer Goods) Division being cash incentives granted by major suppliers for exceeding their set Sales Targets and Key Performance Indicators for the 12 months to 31 December 2012.
- (iii) Plant and Equipment and system software at the Manufacturing Division were impaired at a loss of RM1.1 million.
- (iv) A comprehensive review of the Group's inventory was carried out during the current quarter to write off obsolete and slow moving inventory. The Plastic Packaging sub-segment at DIPC undertook the review before relocating to its new smaller premises. The Plastic Parts sub-segment and the Trading (Consumer Goods) Division undertook the review during their respective December end stock takes. The RM530,000 one off inventory write offs relates to the Plastic Packaging sub-segment and the Trading (Consumer Goods) Division only.
- (v) The Plastic Parts sub-segment has certain liabilities denominated in foreign currency. The foreign currency had depreciated against Ringgit Malaysia.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(i) **Manufacturing Division**

This Division recorded a RM2.3 million reduction (-74%) in Profit before Taxation to RM825,000 (Q3-FY13: RM3.1 million) due to the following:

- The adverse impact on profits arising from the RM2.6 million reduction in Revenue at the higher margin Tool Fabrication sub segment.
- The increased labour costs arising from the implementation of the Minimum Wages Order 2012 with effect from 1 January 2013.
- The one-off RM4.1 million gain on disposal of land and buildings recorded at the Plastic Packaging sub segment in the preceding quarter (Q3-FY13) with no equivalent gain during the current quarter.

(ii) **Trading (Consumer Goods) Division**

This Division returned to profitability recording a Profit Before Taxation of RM27,000 (Q3-FY13 **Loss**: RM14,000). This was mainly due to:

- There is no repeat of the inventory write offs booked in the preceding quarter.
- Chinese New Year (“CNY”) was celebrated later in 2013 than CNY 2012. As result, key customers delayed their orders from December 2012 to January 2013 and hence more profits were recorded in the current quarter.

(iii) **Investment Holding**

The significant improvement in this Division’s Revenue in the current quarter is due to the receipt of a RM1.2 million dividend declared by a subsidiary.

(21) **Current Year Prospects**

The Group’s result for the financial year ending 31 March 2012 was a disastrous **LOSS** before Taxation of RM9.4 million. Both the Manufacturing and the Trading (Consumer Goods) Divisions incurred losses with the Manufacturing Division accounting for the lion share of the Group losses.

The Group installed a New Management team in October 2011. The team was tasked with arresting the losses as a matter of urgency and henceforth returning the Group to profitability within a 2 year time frame (i.e. to return to profitability by FY14). The Board is very pleased with the Group’s results for the first full year under the New Management team. The twin objectives outlined above were commendably met and importantly; ahead of schedule. For FY13, the Group recorded a **PROFIT** before Taxation of RM5.4 million, *a favourable turnaround of RM14.8 million*.

The FY13 result includes a one-off Profit on Disposal of Land and Building amounting to RM4.1 million. Notwithstanding this one-off profit, the Group’s underlying businesses had returned to profitability as detailed below:

TABLE 3

	FY13	FY12	Variance
	RM’000		
Profit/(Loss) before Taxation	5,450	(9,406)	14,856
Less: one-off Profit on Disposal of Land and Building	(4,134)	-	(4,134)
Adjusted Profit/(Loss) before Taxation	1,316	(9,406)	10,722

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
Incorporated in Malaysia

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(21) Current Year Prospects (continued)

Apart from the improvement in Profitability, the New Management team has also significantly de-leveraged the Group since September 2011 by reducing Non-Trade Borrowings and Non Trade Creditors by almost RM18 million (-70%) to RM7.6 million as at 31 March 2013.

TABLE 4

	30 Sept 2011	31 March 2012	31 March 2013	Variance
	RM'000			
	(a)	(b)	(c)	(a) – (c)
Term Loans and Hire Purchase	18,823	11,411	6,978	(11,845)
Non Trade Creditors	6,610	3,924	676	(5,934)
Total	25,433	15,335	7,654	(17,779)

The FY13 results augur well for the future of the Group. Management's initiative to increase the Manufacturing Division's machine utilisation rate and to improve labour efficiency is on-going. At the Trading (Consumer Goods) Division, the continued streamlining of its product range is expected to improve its gross operating margin.

In summary, having returned the Group to profitability, the task ahead is to ensure the profitability is sustained. The Directors cautiously expects the Group to remain profitable in FY14 but are not expecting the Group to repeat the sterling performance of FY13. The forward Business Plan and Strategic Directions not only cover the objectives of growth and profitability but also to prevent a repeat of the FY12 losses.

(22) Profit Forecast and Profit Guarantee

The profit forecast and guarantee is not applicable for the current quarter under review.

(23) Taxation

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTERS 12 Months ended	
	31 MARCH 2013 (Unaudited)	31 MARCH 2012 (Unaudited)	31 MARCH 2013 (Unaudited)	31 MARCH 2012 (Audited)
	RM'000			
Over provision in previous year				
In respect of current period	-	-	173	-
-Malaysian income tax	(851)	(307)	(912)	(621)
-Deferred tax	(383)	676	(337)	839
	(1,234)	369	(1,076)	218

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(24) Status of Corporate Proposals

There were no Corporate Proposals in the current quarter.

(25) Group Borrowings

Details of the unaudited Group borrowings as at 31 March 2013 are as follows:

Type of borrowing	Short term	Long term	Total
	Secured RM'000		
Bank Overdraft	-	-	-
Bills Payable and Bankers Acceptance	11,830	-	11,830
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	1,035	1,026	2,061
Term Loans	1,329	3,588	4,917
TOTAL	16,194	4,614	20,808

Drawdown and Repayment Schedule

	Bank Overdraft	Bills Payable and Bankers Acceptance	Revolving Credit	Hire Purchase Creditors	Term Loans	Liabilities directly associated with asset held for sale	Total
	RM'000						
As at beginning of period 1 April 2012	-	9,754	2,000	3,374	8,037	3,959	27,124
Additions	-	2,076	-	-	-	-	2,076
Repayments	-	-	-	(1,313)	(3,120)	(3,959)	(8,392)
As at end of period 31 March 2013	-	11,830	2,000	2,061	4,917	-	20,808

(26) Material Litigation

There were no new development or additional material litigation reported in this current quarter.

(27) Dividend Payable

No interim dividend has been recommended for the current quarter.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2013

(28) Basic Profit/(Loss) Per Ordinary Share

The basic profit/(loss) per ordinary share of the Group are calculated by dividing the net profit/(loss) for the current period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares in issue during the period.

	INDIVIDUAL QUARTER 3 months ended 31 MARCH		CUMULATIVE QUARTERS 12 months ended 31 MARCH	
	2013 (Unaudited)	2012 (unaudited)	2013 (Unaudited)	2012 (Audited)
Profit/(Loss) attributable to ordinary equity holders of the parent (“000”)	120	(1,656)	4,374	(9,188)
Weighted average number of ordinary shares in issue (“000”)	104,469	104,469	104,469	104,469
Basic profit/(loss) per share for period (sen):	0.11	(1.59)	4.19	(8.80)

(29) Fully Diluted Profit/(Loss) Per Ordinary Share

Fully diluted profit/(loss) per ordinary share for the current period was not presented as the Company does not have any outstanding share options or other potentially dilutive financial instruments currently on issue.

(30) Disclosure on Retained Earnings Realised and Unrealised Profit and Losses

	As at 31.03.2013 (Unaudited) RM'000
Total Accumulated Losses of the Group	
- Realised	3,766
- Unrealised	4,367
Total Group Accumulated Losses as per Consolidated Financial Statements	8,133

(31) Authorised for Issue

These interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 31 May 2013.

BY ORDER OF THE BOARD
Woo Min Fong (MAICSA 0532413)
Wong Chee Yin (MAICSA 7023530)
Tan Quok Eow (MIA 22571)
 Company Secretaries