



**DENKO INDUSTRIAL CORPORATION BERHAD**

**(190155-M)**

**(Incorporated in Malaysia)**

**INTERIM FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED  
30 June 2013**

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

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

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**DENKO INDUSTRIAL CORPORATION BERHAD (Company No.: 190155-M)**  
**(Incorporated In Malaysia)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME  
 FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

	<b>INDIVIDUAL QUARTER 3 months ended 30-Jun</b>		<b>CUMULATIVE QUARTER 3 months ended 30-Jun</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	21,356	22,701	21,356	22,701
Cost Of Sales	(18,985)	(19,356)	(18,985)	(19,356)
Gross Profit	2,371	3,345	2,371	3,345
Other Income	428	710	428	710
Marketing and Distribution Costs	(904)	(1,045)	(904)	(1,045)
Administration Expenses	(1,294)	(1,495)	(1,294)	(1,495)
Other Operating Expenses	(29)	(690)	(29)	(690)
Profit/(Loss) From Operations	572	825	572	825
Finance Costs	(281)	(529)	(281)	(529)
Profit/(Loss) Before Tax	291	296	291	296
Taxation	(118)	149	(118)	149
Profit/ (Loss) Net of Tax for the period	173	445	173	445
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income / (loss) attributable to equity holders of the parent</b>	<b>173</b>	<b>445</b>	<b>173</b>	<b>445</b>
Basic, profit/(loss) per ordinary share (sen)	0.17	0.43	0.17	0.43
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 2013 and the accompanying explanatory notes attached to this Interim Financial Statements.

**DENKO INDUSTRIAL CORPORATION BERHAD (Company No.: 190155-M)**  
**(Incorporated In Malaysia)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL**  
**FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

	Note	As at 30.06.2013 (Unaudited)	As at 31.03.2013 (Audited)
RM'000			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	47,863	49,356
<b>Current assets</b>			
Inventories		9,888	10,970
Trade and other receivables		19,336	18,678
Current tax asset		1,621	1,525
Cash and bank balances		2,245	1,502
Total current assets		33,090	32,675
<b>TOTAL ASSETS</b>		<b>80,953</b>	<b>82,031</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		41,788	41,788
Reserves		5,684	5,684
Accumulated losses		(7,960)	(8,133)
Total Equity		39,512	39,339
<b>Non current liabilities</b>			
Long term borrowings	25	4,233	4,614
Trade payables and Other payables		1,315	1,403
Deferred tax liabilities		5,281	5,281
Total non-current liabilities		10,829	11,300
<b>Current Liabilities</b>			
Trade and other payables		15,122	14,485
Current Tax Liabilities		790	713
Short term borrowings	25	14,700	16,195
Total current liabilities		30,612	31,393
<b>TOTAL LIABILITIES</b>		<b>41,441</b>	<b>42,692</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>80,953</b>	<b>82,031</b>
<b>Net assets per share attributable to equity holders of the parents (RM)</b>		<b>0.3782</b>	<b>0.3766</b>

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2013 and the accompanying explanatory notes attached to this Interim Financial Statements.

**DENKO INDUSTRIAL CORPORATION BERHAD (Company No.: 190155-M)**  
**(Incorporated In Malaysia)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

	Attributable to equity holders of the parent				
	----- Non-distributable -----				
	Share Capital	Share Premium	Revaluation Reserves	Accumulated Losses	Total
	RM'000				
<b>At 1 APRIL 2013</b>	41,788	1,566	4,118	(8,133)	39,339
Total comprehensive income for the period	-	-	-	173	173
<b>At 30 JUNE 2013</b>	41,788	1,566	4,118	(7,960)	39,512

<b>At 1 APRIL 2012</b>	104,469	3,136	4,118	(76,758)	34,965
Total comprehensive income for the period	-	-	-	445	445
<b>At 30 JUNE 2012</b>	104,469	3,136	4,118	(76,313)	35,410

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2013 and the accompanying explanatory notes attached to this Interim Financial Statements.

**DENKO INDUSTRIAL CORPORATION BERHAD (Company No.: 190155-M)**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

	Note	3 months to	
		30.06.2013	30.06.2012
		(Unaudited)	
		RM'000	
<b>1. Cash flow from operating activities</b>			
<b>Profit (loss) before tax</b>		291	296
<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		(73)	32
Depreciation		1,568	1,736
(Gain)/Loss on disposal of property, plant and equipment		(1)	(105)
Property, plant and equipment written off		2	-
Interest expense		281	529
Interest income		(1)	(19)
Provision for and write off of inventories		92	49
Unrealised (gain)/loss on foreign exchange		(47)	(19)
<b>Operating profit before working capital changes</b>		2,112	2,499
Net change in inventories		990	(834)
Net change in trade and other receivables		(685)	(1,178)
Net change in trade and other payables		560	(48)
Net change in amount due to directors		35	587
<b>Cash generated from operations</b>		3,013	1,026
Interest paid		(157)	(222)
Income tax paid		(41)	(34)
Income tax refund		4	698
<b>Net cash from operating activities</b>		2,818	1,468

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2013 and the accompanying explanatory notes attached to this Interim Financial Statements.

**DENKO INDUSTRIAL CORPORATION BERHAD (Company No.: 190155-M)**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

	Note	3 months to	
		30.06.2013	30.06.2012
		(Unaudited)	(Audited)
<b>2. Cash flow from investing activities</b>		<b>RM'000</b>	
Purchase of fixed assets		(77)	(39)
Decrease/(Increase) in pledged fixed deposit		-	(92)
Interest received		1	19
Proceeds from disposal of fixed assets		1	105
<b>Net cash used in investing activities</b>		<b>(75)</b>	<b>(7)</b>
<b>3. Cash flow from financing activities</b>			
(Repayment)/Increase in short term borrowings		(1,559)	1,107
Repayment of term loans		(326)	(812)
Repayment of hire purchase creditors		(492)	(710)
Interest paid		(124)	(308)
<b>Net cash used in financing activities</b>		<b>(2,500)</b>	<b>(723)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>242</b>	<b>738</b>
Cash and cash equivalents as at beginning of financial period 1st April 2013		1,412	500
Cash and cash equivalents as at end of financial period 30th June 2013		1,654	1,238
<i>*Cash and cash equivalents at the end of the financial period comprise the following:</i>			
Fixed deposits with licensed banks		90	1,703
Cash and bank balances		2,155	2,596
Bank overdrafts	25	2,245	4,299
		(502)	(1,358)
		1,744	2,941
Less: Fixed deposits pledged to licensed banks		(90)	(1,703)
		1,654	1,238

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2013 and the accompanying explanatory notes attached to this 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 FIRST QUARTER ENDED 30 JUNE 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 2013. 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 2013.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2013 as below:

	<b>Effective Date</b>
MFRS 1 Adoption of Malaysian Financial Reporting Standards	1 January 2012
MFRS 2 Share-based Payment	1 January 2012
MFRS 3 Business Combinations	1 January 2012
MFRS 4 Insurance Contracts	1 January 2012
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2012
MFRS 7 Financial Instruments: Disclosures	1 January 2012
MFRS 8 Operating Segments	1 January 2012
MFRS 101 Presentation of Financial Statements	1 January 2012
MFRS 102 Inventories	1 January 2012
MFRS 107 Statement of Cash Flows	1 January 2012
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2012
MFRS 110 Events After the Reporting Period	1 January 2012
MFRS 112 Income Taxes	1 January 2012
MFRS 116 Property, Plant and Equipment	1 January 2012
MFRS 117 Leases	1 January 2012
MFRS 118 Revenue	1 January 2012
MFRS 119 Employee Benefits	1 January 2012
MFRS 121 The Effects of Changes in Foreign Exchange Rates	1 January 2012
MFRS 123 Borrowing Costs	1 January 2012
MFRS 124 Related Party Disclosures	1 January 2012
MFRS 126 Accounting and Reporting by Retirement Benefit Plans	1 January 2012
MFRS 127 Separate Financial Statements	1 January 2012
The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction	1 January 2012
MFRS 131 Interest in Joint Ventures	1 January 2012
MFRS 132 Financial Instruments: Presentation	1 January 2012
MFRS 133 Earnings Per Share	1 January 2012
MFRS 134 Interim Financial Reporting	1 January 2012
MFRS 136 Impairment of Assets	1 January 2012
MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2012
MFRS 138 Intangible Assets	1 January 2012
MFRS 139 Financial Instruments: Recognition and Measurement	1 January 2012
MFRS 140 Investment Property	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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**SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134  
FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

**(1) Basis of Preparation (continued)**

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

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

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

MFRS 101 Presentation of Financial Statements	
Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 9 Financial Instruments	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits (revised)	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associates and Joing Ventures	1 January 2013
Amendments to MFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS Annual Improvements 2009-2011 Cycle	1 January 2013
	1 January 2013
Amendments to MFRS 10, MFRS11 and MFRS 12 Consolidated Financial Statemetns, Joint Arrangements and Disclosue of Interests in Other Entities: Transition Guidance	
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 January 2015
MFRS 9 Financial Instruments	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.

**PART A**

**SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134  
FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

**(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 2013.

**(3) Auditors' Report on Preceding Annual Financial Statements**

The Auditors' Report on the Audited Financial Statements for the year ended 31 March 2013 was not qualified.

**(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.

**(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 FIRST QUARTER ENDED 30 JUNE 2013**

**(8) Property, Plant and Equipment (“PPE”)**

	<b>3 months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	
	<b>RM’000</b>	
PPE at the beginning of period 1st April	49,356	55,122
Additions	77	39
Write offs	(2)	-
Depreciation and Amortisation	(1,568)	(1,735)
Total PPE at the end of period 30th June	47,863	53,426

**Acquisitions**

During the quarter, the Manufacturing Division acquired tools and equipment, computers, air conditioner, furniture and fittings and office equipment totalling RM77,000 by normal credit term.

**Disposals**

A machine which was surplus to requirements with a net book value of RM1 was disposed for a gain of RM799. (Q1-FY13: Gain of RM105,000). This gain has been included in Other Income.

**(9) Inventory Write Offs**

The Group recorded inventory write offs totalling RM92,000 in the current quarter (Q1-FY13: RM49,000). The write offs were made in accordance with the Group's inventory write off policy. The amount has been included in Cost of Good Sold.

**(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 2013.

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**PART A**

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FOR THE FIRST QUARTER ENDED 30 JUNE 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) Capital Commitments**

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

	<b>As at 30.06.2013 (Unaudited) RM'000</b>
- Authorised but not contracted	2,077
- Contracted but not provided	-

**(15) Changes in Contingent Liabilities and Contingent Assets**

	<b>As at 30.06.2013 (Unaudited) RM'000</b>
<b>Contingent liability</b>	
Corporate guarantees provided to financial institutions for credit facilities granted to subsidiaries	18,672
Corporate guarantees provided to subsidiaries' trade suppliers	100

**(16) Material Subsequent Events**

The Trading (Consumer Goods) Division is an appointed Wholesale Distributor of Abbot's range of milk powder products. On 3rd July 2013, the Company made an announcement that Abbott had unilaterally terminated the Wholesaler Agreement it had signed with Lean Teik Soon Sdn Bhd; the Company's wholly owned subsidiary.

**Net Assets**

Based on the Group's Audited Financial Statements as at 31 March 2013, the termination would reduce the Current Assets and Current Liabilities of Denko Group by approximately RM3.5 million and RM780,000 respectively.

**Earnings**

Based on the Group's Audited Financial Statements for the financial year ending 31 March 2013, the termination would reduce the Turnover and Profit before Tax of Denko Group by approximately RM10 million and RM200,000 respectively.

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**PART A**

**SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134  
FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

**(17) Significant Related Parties Transactions**

	<b>3 Months ended 30.06.2013 (Unaudited) RM'000</b>
Revenue	
- Supply of plastic parts and tooling	96
Expenses	
- Sub contractor fees	0

**(18) Profit for the period**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>30-June</b>			
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>RM'000</b>			
(i) Interest Income	1	19	1	19
(ii) Other income including investment income	264	202	264	202
(iii) Interest expense	(281)	(529)	(281)	(529)
(iv) Depreciation and amortization	(1,568)	(1,736)	(1,568)	(1,736)
(v) Provision for and write off of receivables	73	(32)	73	(32)
(vi) Provision for and write off of inventories	(92)	(49)	(92)	(49)
(vii) Gain/(loss) on disposal of quoted or unquoted investment or properties	1	105	1	105
(viii) Write off/Impairment of assets	(2)	-	(2)	-
(ix) Foreign exchange gain/(loss)	63	(225)	63	(225)

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

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**PART B**

**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS  
OF BURSA MALAYSIA - FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

**(19) Review of Current Quarter Performance**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTERS 3 months ended	
	30 June			
	2013	2012	2013	2012
	(Unaudited)		(Unaudited)	
<b>Segment Revenue</b>	<b>RM'000</b>			
Manufacturing	16,121	15,912	16,121	15,912
Trading (Consumer Goods)	5,278	6,824	5,278	6,824
Sub-Total (Operating Entities)	21,399	22,736	21,399	22,736
Management services – (Note1)	346	341	346	341
Investment holding	-	-	-	-
Total revenue including inter-segment sales	21,745	23,077	21,745	23,077
Elimination of inter-segment sales	(389)	(376)	(389)	(376)
Total Revenue	21,356	22,701	21,357	22,701
<b>Segment Results</b>				
Manufacturing	141	220	141	220
Trading (Consumer Goods)	109	54	109	54
Sub-Total (Operating Entities)	250	274	250	274
Management services	294	271	294	271
Investment holding	(253)	(249)	(253)	(249)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	291	296	291	296
Eliminations	-	-	-	-
Profit/(Loss) Before Taxation	291	296	291	296

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

**PART B**  
**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING**  
**OF B1 FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

**Year on Year 3 months Comparison**

**(a) Revenue**

The Group's recorded a RM1.3 million decrease in Revenue (-5.9%) for the current quarter under review to RM21.4 million (Q1-FY13: RM22.7 million).

The revenue reduction was mainly due to lower sales (-RM1.2 million) at the Trading (Consumer Goods) Division.

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

As can be seen from TABLE 1 below, the Group recorded a Profit from Operations of RM266,000 for the current quarter (Q1-FY13: RM291,000) representing a small reduction of RM25,000. The Manufacturing Division had been making good progress on its cost reduction efforts. However, the cost savings derived were not sufficient to counter the adverse impact of the Malaysian Government imposed RM900 per month Minimum Wages for all workers in the country with effect from 1 January, 2013 (thereby increasing the Division's labour costs by approximately RM400,000).

**TABLE 1**

<b>Reconciliation of Profit before Taxation</b>	<b>Q1-FY14</b>	<b>Q1-FY13</b>	<b>Variance</b>
	<b>RM'000</b>		
Profit / (Loss) from Operations	266	291	(25)
<b><u>Adjustment for One-Off Items</u></b>			
Gain on Disposal of Property, Plant & Impairment of Plant & Equipment	1	105	(104)
Receivables Write Offs	(2)	-	(2)
Unrealised Foreign Exchange Losses	73	(32)	105
Sub-Total	(47)	(19)	(28)
Profit Before Taxation	25	54	(29)
	291	345	(54)

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 small RM200,000 increase in Revenue to RM16.1 million (Q1-FY13: RM15.9 million).

As mentioned above, notwithstanding the significant costs savings made, this Division's results were adversely affected by the introduction of the RM900 per month Minimum Wages. As a result, its Profit before Taxation reduced by RM79,000 to RM141,000 (Q1-FY13: RM220,000).

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**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS  
OF BURSA MALAYSIA - FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

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

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

This Division recorded a RM1.5 million reduction in Revenue (-23%) for the current quarter to RM5.3 million (Q1-FY13: RM6.8 million). The lower revenue was mainly due to:

- (i) RM1 million reduction in the sale of Abbott milk powder products due to:
  - intense price competition arising from promotional pricing by a hypermarket chain;
  - the after effects of a price increase initiated by Abbott in February 2013;
  - the reduction in Abbott's promotional expenditure to market the products; and
- (ii) The effects of products rationalization to phase out low margin and non-profitable products.

Despite the RM1.5 million reduction in Revenue, this Division still managed to double its Profit before Taxation to RM109,000 (Q1-FY13: RM54,000). This is due to the Division's on-going efforts to change the sales mix by reducing sales of low margin third party products in favour of the higher margin Home Brand products.

**(iii) Investment Holding Division**

This Division relies on dividends from its subsidiaries for income. There were no dividend receipts during the quarter under review (Q1-FY13: Nil).

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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 B FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

(20) **Comparison with Immediate Preceding Quarter's Results**

	<b>INDIVIDUAL QUARTER</b>	
	<b>3 months ended</b>	
	<b>30.06.2013</b>	<b>31.03.2013</b>
	<b>(Unaudited)</b>	
<u>Segment Revenue</u>	<b>RM'000</b>	
Manufacturing	16,121	14,507
Trading (Consumer Goods)	5,278	6,737
Sub-Total (Operating Entities)	21,399	21,244
Management services – <b>Note 1</b>	346	368
Investment holding	-	1,200
Total revenue including inter-segment sales	21,745	22,812
Elimination of inter-segment sales	(389)	(1,255)
Total revenue	21,356	21,557
<u>Segment Results</u>		
Manufacturing	141	825
Trading (Consumer Goods)	109	27
Sub-Total (Operating Entities)	250	852
Management services	294	297
Investment holdings	(253)	1,040
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	291	2,189
Eliminations	-	(835)
Profit/(Loss) before taxation	291	1,354

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

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**PART B**

**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS  
OF B1 FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

(a) **Revenue**

The Group's operating entities recorded a RM200,000 decrease in Revenue (-1%) for the current quarter to RM21.4 million (Q4-FY13: RM21.6 million).

(i) **Manufacturing Division**

The RM1.5 million (+11%) increase in Revenue recorded by this Division to RM16 million (Q4-FY13: RM14.5 million) was mainly due to the RM2 million plus tool fabrication orders which were commenced in Q4-FY13 but were completed and booked as revenue in Q1-FY14.

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

The RM1.4 million Revenue reduction (-21%) at this Division to RM5.3 million (Q4-FY13: RM6.7 million) is due to lower sales of Abbott's milk powder during the current quarter due to:

- intense price competition arising from promotional pricing by a hypermarket chain;
- the after effects of a price increase initiated by Abbott in February 2013; and
- the reduction in Abbott's promotional expenditure to market the products.

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

Per TABLE 2 below, the Group registered a significant RM774,000 (-77%) reduction in Profit from Operations to RM266,000 for the current quarter under review (Q4-FY13: RM1.04 million). This is primarily due to the RM780,000 reversal of staff costs provision in Q4-FY13 with no such equivalent credit in the current quarter.

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PART B

EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS  
OF BURSA MALAYSIA - FOR THE FIRST QUARTER ENDED 30 JUNE 2013

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

TABLE 2

Reconciliation of Profit before Taxation	Q1-FY14	Q4-FY13	Variance
	<u>RM'000</u>		
Profit / (Loss) from Operations	266	1,040	(774)
<b><u>Adjustment for One-Off Items</u></b>			
Gain On Disposal Of Property, Plant & Equipment	1		1
Impairment Of Plant & Equipment	(2)		(2)
Receivable Write Back	73		73
Unrealised Foreign Exchange Loss	(47)		(47)
Staff Compensation Write Back/(Expense) (i)	-	188	(188)
Write-Back of Accrued Interest Provision (ii)	-	126	(126)
Sub-Total	25	314	(289)
Profit Before Taxation	291	1,354	(1,063)

**Notes:**

**For Q4-FY13**

- (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.*

(i) **Manufacturing Division**

Notwithstanding the RM1.5 million increase in Revenue for the current quarter under review, this Division still recorded a RM684,000 reduction (-83%) in Profit before Taxation to RM141,000 (Q4-FY13: RM825,000) due to the following:

- (a) The product sales mix at the Plastic Parts sub-segment in the current quarter resulted in a lower Gross Profit margin;
- (b) The RM780,000 write back of staff costs provision in Q4-FY13 with no such equivalent reversal in the current quarter; and
- (c) The write back of One-off accrued expenses of RM314,000 in Q4-FY13 which no such equivalent reversal during the current quarter.

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**PART B**

**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS  
OF BURSA MALAYSIA - FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

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

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

This Division recorded a RM82,000 improvement (+304%) in Profit before Taxation to RM109,000 (Q4-FY13: RM27,000) due to the following:

- (a) Increase in the higher margin Home Brand products sales;
- (b) There was a RM50,000 stock write off in Q4-FY13 with no such equivalent expense in the current quarter; and
- (c) Warehouse management and distribution costs decreased by RM78,000 in the current quarter.

**(iii) Investment Holding**

The Division recorded a LOSS before Taxation RM253,000 for the current quarter (Q4-FY13: Profit of RM1.04 million). This unfavourable RM1.2 million movement is due to the receipt of a RM1.2 million dividend declared by a subsidiary in Q4-FY13 with no such equivalent income in the current quarter.

**(21) Current Year Prospects**

The Group returned to profitability in FY13 during which it achieved a significant RM10.7 million favourable turnaround with a Profit before Taxation from ordinary operations of RM1.3 million (FY12: LOSS of RM9.4 million). The Directors are continuing with the recovery strategies implemented by the Management Team installed in October 2011 and are at the same time reviewing opportunities for further growth via both organic expansion and mergers and acquisitions.

In pursuit of its growth strategy, the Group will be re-investing in plant and machinery and the employment of additional personnel with the requisite qualification and experience. FY14 shall be a capacity building period (in terms of machines, technology and human resource skill sets).

**(i) Manufacturing Division**

This Division has built a healthy pipeline of additional business from existing customers and have added new customers during the quarter. Further, the Division is receiving regular enquiries from potential customers. Both the local and overseas sales teams are very active in attending to numerous customers' request for quotations.

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**PART B**

**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS  
OF BURSA MALAYSIA - FOR THE FIRST QUARTER ENDED 30 JUNE 2013**

**(21) Current Year Prospects (continued)**

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

Abbott's unilateral termination of the Trading (Consumer Goods) Wholesale Agreement will have a major adverse impact on the Revenue of the Division. The Division has already stepped up efforts to increase the sale of the higher margin Home Brand products and improve the margin on sale of third party products to offset the margin loss arising from the termination of Abbott's Milk Powder distribution rights.

In summary, there are recent external events which continues to provide challenges in relation to the Group's future performance. Based on the initiatives already implemented and being planned to mitigate the potential adverse effects of these challenges, the Directors have reason to believe that the Group will remain profitable for FY14.

**(22) Profit Forecast and Profit Guarantee**

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

**(23) Taxation**

	<b>INDIVIDUAL QUARTER 3 months ended 30 June</b>		<b>CUMULATIVE QUARTER 3 months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(Unaudited) RM'000</b>		<b>(Unaudited)</b>	<b>(Audited)</b>
Over provided in previous year	0	173	0	173
In respect of current period				
-Malaysian income tax	(118)	(24)	(118)	(24)
-Deferred tax	-	-	-	-
	<b>(118)</b>	<b>149</b>	<b>(118)</b>	<b>149</b>

**PART B**  
**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS**  
**OF BURSA MALAYSIA - FOR THE FIRST QUARTER ENDED 30 JUNE 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 30 June 2013 are as follows:

Type of borrowing	Short term	Long term	Total
	Secured		
	RM'000		
Bank Overdraft	502	-	502
Bills Payable and Bankers Acceptance	10,271	-	10,271
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	573	996	1,569
Term Loans	1,354	3,236	4,590
<b>TOTAL</b>	<b>14,700</b>	<b>4,232</b>	<b>18,932</b>

**Drawdown and Repayment Schedule**

	Bank Overdraft	Bills Payable and Bankers Acceptance	Revolving Credit	Hire Purchase Creditors	Term Loans	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at beginning of period 1 April 2013	-	11,830	2,000	2,061	4,917	20,808
Drawdown	502	-	-	-	-	502
Repayment	-	(1,559)	-	(492)	(326)	(2,377)
As at end of period 30 June 2013	502	10,271	2,000	1,569	4,591	18,933

**(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.

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**PART B**

**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS  
OF BURSA MALAYSIA - FOR THE FIRST QUARTER ENDED 30 JUNE 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 30 June		CUMULATIVE QUARTER 12 months ended 30 June	
		2013	2012	2013	2012
		(Unaudited)		(Unaudited)	
Profit / (loss) attributable to ordinary equity holders of the parent	RM	173,399	445,000	173,399	445,000
Weighted average number of ordinary shares in issue		104,468,853	104,468,853	104,468,853	104,468,853
Basic profit/(loss) per share for period (sen):	RM	<b>0.17</b>	<b>0.43</b>	<b>0.17</b>	<b>0.43</b>

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

Fully diluted profit/(loss) per ordinary share for the current quarter is 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 30.06.2013 (Unaudited) RM'000
Total Accumulated Losses of the Group	
- Realised	2,870
- Unrealised	5,090
Total Group Accumulated Losses as per Consolidated Unaudited Financial Statements	7,960

**(31) Authorised for Issue**

These Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 28th August 2013.

**BY ORDER OF THE BOARD**

**Woo Min Fong (MAICSA 0532413)**

**Wong Chee Yin (MAICSA 7023530)**

**Tan Quok Eow (MIA 22571)**

Company Secretaries