DENKO INDUSTRIAL CORPORATION BERHAD

(190155-M)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED
31 March 2014

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

INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 MARCH 2014

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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 FOURTH QUARTER ENDED 31 MARCH 2014

	INDIVIDUAL QUARTER 3 months ended 31st March		CUMULATIVE QUARTERS 12 months ended 31st March	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	(Audited)
	RM'000	RM'000	RM'000	RM'000
Revenue	16,887	19,867	74,347	86,779
Cost Of Sales	(15,080)	(15,856)	(67,118)	(74,963)
Gross Profit	1,808	4,011	7,229	11,816
Other Income	77	(257)	512	1,594
Marketing and Distribution Costs	(915)	(750)	(3,366)	(3,130)
Administration Expenses	(1,639)	(1,138)	(5,583)	(5,363)
Other Operating Gains/(Expenses)	(328)	(811)	(715)	(2,441)
Profit/(Loss) From Operations	(997)	1,055	(1,922)	2,476
Finance Costs	(248)	(168)	(871)	(1,405)
Loss on disposal of an subsidiary	0	-	(1,803)	-
Profit/(Loss) Before Tax	(1,245)	887	(4,596)	1,071
Taxation	1,102	(519)	988	(342)
Profit/ (Loss) from Continuing Operation, Net of Tax for the period	(143)	368	(3,608)	729
<u>Discontinued Operation</u>				
Profit/ (Loss) from Discontinuing Operation, Net of Tax for the period	-	(248)	570	3,645
Profit/ (Loss) Net of Tax for the period	(143)	120	(3,038)	4,374
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) attributable to equity holders of the parent	(143)	120	(3,038)	4,374
Basic, profit/(loss) per ordinary share (sen)	(0.14)	0.11	(3.45)	4.19
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 POSITION FOR THE FOURTH QUARTER ENDED 31 MARCH 2014

	Note	As at 31.03.2014 (Unaudited)	As at 31.03.2013 (Audited)
		RM'000	
ASSETS			
Non-current assets			
Property, plant and equipment	9	44,383	49,356
Current assets			
Inventories		12,447	10,970
Trade and other receivables		16,143	18,678
Current tax asset		1,272	1,525
Cash and bank balances		378	1,502
Total current assets		30,240	32,675
TOTAL ASSETS		74,623	82,031
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		41,788	41,788
Reserves		5,684	5,684
Accumulated losses		(11,171)	(8,133)
Total Equity		36,301	39,339
Non current liabilities			
Long term borrowings	25	3,797	4,614
Trade payables and Other payables		1,415	1,403
Deferred tax liabilities		4,107	5,281
Total non-current liabilities		9,319	11,300
Current Liabilities			
Trade and other payables		15,663	14,485
Current Tax Liabilities		-	713
Short term borrowings	25	13,340	16,195
Total current liabilities		29,003	31,393
TOTAL LIABILITIES		38,322	42,692
TOTAL EQUITY AND LIABILITIES		74,623	82,031
Net assets per share attributable to equity holders of the parents (RM)		0.3475	0.3766

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 CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 MARCH 2014

	Attributable to equity holders of the parent				
	-------------------- Non-distributable ------------------------				
	Share Capital	Share Premium	Revaluation Reserves	Accumulated Losses	Total
	RM'000				
At 1 APRIL 2013	41,788	1,566	4,118	(8,133)	39,339
Total comprehensive losses for the period	-	-	-	(3,038)	(3,038)
At 31 MARCH 2014	41,788	1,566	4,118	(11,171)	36,301

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

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 FOURTH QUARTER ENDED 31 MARCH 2014

	Note	12 months to	
		31.03.2014	31.03.2013
		(Unaudited)	(Audited)
		RM'000	
1. Cash flow from operating activities			
Profit (loss) before tax from continuing operation		(4,596)	1,071
Profit (loss) before tax from discontinuing operation		653	4,379
		(3,944)	5,450
Adjustment for investing and financing items not involving movement of cash and cash equivalent			
Impairment/(reversal of impairment) for trade and other receivables		(192)	304
Bad debts written off		44	35
Depreciation		5,993	6,593
Impairment losses on property plant and equipment		184	1,071
Loss on disposal of a subsidiary company		1,803	-
Gain on disposal of property, plant and equipment		(1)	(4,411)
Property, plant and equipment written off		6	77
Interest expense		871	1,564
Interest income		(3)	(46)
Write off on inventories		86	-
Increase/(decrease) in provision for slow moving stocks		82	(589)
Unrealised (gain)/loss on foreign exchange		69	(742)
Operating profit before working capital changes		4,999	9,306
Net change in inventories		(2,481)	189
Net change in trade and other receivables		1,848	(3,148)
Net change in trade and other payables		651	(3,808)
Net change in amount due to directors		452	-
Cash generated from / (used in) operations		5,468	2,539
Interest paid		(564)	(742)
Income tax paid		(151)	(522)
Income tax refund		190	721
Net cash from / (used in) operating activities		4,943	1,996

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 FOURTH QUARTER ENDED 31 MARCH 2014

		12 months to	
		31.03.2014	**31.03.2013**
		(Unaudited)	**(Audited)**
2. Cash flow from investing activities	**Note**	**RM'000**	
Purchase of fixed assets		(766)	-
Decrease/(Increase) in pledged fixed deposit		-	1,521
Interest received		3	46
Proceeds from disposal of fixed assets		1	4,486
Deconsolidation of a subsidiary company		(1,236)	-
Net cash (used in) / from investing activities		(1,997)	6,053
3. Cash flow from financing activities			
(Repayment)/Increase in short term borrowings		(2,751)	2,076
Repayment of term loans		(1,332)	(7,078)
Repayment of hire purchase creditors		(1,203)	(2,669)
Drawdown of hire purchase creditors		1,020	1,356
Interest paid		(308)	(822)
Net cash used in financing activities		(4,573)	(7,137)
Net increase/(decrease) in cash and cash equivalents		(1,627)	912
Cash and cash equivalents as at beginning of financial period 1st April		1,412	500
Cash and cash equivalents as at end of financial period 31st March*		(215)	1,412
**Cash and cash equivalents at the end of the financial period comprise the following:*			
Fixed deposits with licensed banks		-	90
Cash and bank balances		378	1,412
		378	1,502
Bank overdrafts	25	(593)	-
		(215)	1,502
Less: Fixed deposits pledged to licensed banks		-	(90)
		(215)	1,412
**Cash and cash equivalents at the end of the financial period from Continuing and Discontinued Operations as below:*			
<u>Continuing Operations:</u>			
Cash and bank balances		(215)	1,186
<u>Discontinued Operations:</u>			
Fixed deposits with licensed banks		-	90
Cash and bank balances		-	226
		(215)	1,502

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)
Incorporated in Malaysia

PART A
SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 FOR THE FOURTH QUARTER ENDED 31 MARCH 2014

(1) Basis of Preparation

During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including The Consequential Amendments)
MFRS 10 Consolidated Financial Statements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 (2011) Employee Benefits
MFRS 127 (2011) Separate Financial Statements

Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income
Annual Improvements to MFRSs 2009 – 2011 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 (2009) Financial Instruments MFRS 9 (2010) Financial Instruments Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	To be announced by MASB
Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities	01 January 2014
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	01 July 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	01 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets	01 January 2014
IC Interpretation 21 Levies	01 January 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	01 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	01 July 2014

The above accounting standards and interpretations (including the consequential amendments) will not have financial impact on the Group's financial statements upon their initial application.

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

PART A
SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134
FOR THE FOURTH QUARTER ENDED 31 MARCH 2014

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

	12 months ended 31st March	
	2014	**2013**
	(Unaudited)	**(Audited)**
	RM'000	
Balance PPE at 1st April 2013	49,356	55,122
Held for sale at 1st April 2013	-	6,866
Additions	1,787	2,050
Impairment loss	(184)	(1,071)
Disposals	(0)	(6,940)
Write offs	(6)	(78)
Disposal of a subsidiary	(576)	-
Depreciation and Amortization	(5,993)	(6,593)
PPE at 31st March 2014	44,383	49,356

Acquisitions
During the quarter, the Manufacturing Division acquired machineries and equipment totaling RM493,000 of which RM465,000 was financed by a Hire Purchase Agreement with tenor of 5 years.

Disposals
There were no disposals of asset during the current quarter.

(9) Inventory Write Offs

There were no inventory write offs during the current quarter (Q4-FY13: RM Nil).

(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.

PART A
SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 FOR THE FOURTH QUARTER ENDED 31 MARCH 2014

(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:

	As at 31.03.2014 (Unaudited) RM'000
- Authorised but not contracted	6,602
- Contracted but not provided	0

(15) Changes in Contingent Liabilities and Contingent Assets

	As at 31.03.2014 (Unaudited) RM'000
Contingent liability Corporate guarantees provided to financial institutions for credit facilities granted to subsidiaries	16,896

(16) Material Subsequent Events

Other than the Material Litigation update as disclosed in Note 26. there were no material events subsequent to the end of the current quarter.

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 2014

(17) Significant Related Parties Transactions

	12 Months ended 31.03.2014 (Unaudited) RM'000
Revenue	
- Supply of plastic parts and tooling	111
Expenses	
- Sub contractor fees	18

(18) Profit for the period

		INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		3 months ended		12 months ended	
		31st December			
		2014	2013	2014	2013
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		RM'000			
(i)	Interest Income	-	7	3	47
(ii)	Other income including investment income	113	196	496	767
(iii)	Interest expense	(248)	(136)	(871)	(1,564)
(iv)	Depreciation and amortization	(1,428)	(1,477)	(5,993)	(6,593)
(v)	Reversal of provision / (Provision) for receivables / (Bad Debts written off)	(64)	(110)	148	(233)
(vi)	Reversal of provision & Bad debts written off / (Provision) for receivables	(2)	(101)	(168)	(819)
(vii)	Gain/(loss) on disposal of quoted or unquoted investment or properties	-	35	1	4,411
(viii)	Write off/Impairment of assets	(188)	(4)	(190)	(1,149)
(ix)	Foreign exchange gain/(loss)	(113)	133	21	(58)
(x)	Loss on disposal of subsidiary	-	-	(1,803)	-

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

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 2014

(19) Review of Current Quarter Performance

	INDIVIDUAL QUARTER 3 months ended			CUMULATIVE QUARTERS 12 months ended	
	31st March				
	2014	2013		2014	2013
	(Unaudited)			(Unaudited)	(Audited)
Segment Revenue	RM'000				
Continued operations:					
Manufacturing	14,964	12,817		59,484	59,319
Trading (Consumer Goods)	1,930	6,737		14,967	27,271
Sub-Total (Operating Entities)	16,894	19,554		74,452	86,590
Management services – (Note1)	313	368		1,362	1,494
Investment holding	-	1,200		920	6,115
Total revenue including inter-segment sales	17,207	21,122		76,734	94,199
Elimination of inter-segment transactions	(320)	(1,255)		(2,387)	(7,420)
Revenue from Continued operations	16,888	19,867		74,347	86,779
Discontinued operations:					
Manufacturing	-	1,690		2,952	6,405
Total Revenue	16,888	21,557		77,299	93,184
Segment Results					
Continued operations:					
Manufacturing	(971)	358		(2,556)	384
Trading (Consumer Goods)	(261)	27		(283)	174
Sub-Total (Operating Entities)	(1,232)	385		(2,840)	558
Management services	360	297		1,281	1,212
Investment holding	(373)	1,040		(315)	5,050
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	(1,245)	1,722		(1,873)	6,820
Loss on disposal of a subsidiary	-	-		(1,803)	-
Elimination of inter-segment transactions	-	(835)		(920)	(5,749)
Profit Before Tax from Continued operations	(1,245)	887		(4,596)	1,071
Discontinued operations:					
Manufacturing	-	467		653	4,379
Profit/(Loss) Before Taxation	(1,245)	1,354		(3,944)	5,450

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

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 2014

Current Quarter vs Prior Year Same Quarter 3 months Comparison

(a) Revenue

The Group's Revenue declined by RM4.6 million (-21%) for the current quarter under review to RM16.9 million (Q4-FY13: RM21.5 million).

The reduction is mainly due to the absence of two non recurring once-off events which accounts for RM3.9 million (84%) of the Revenue reduction in the current quarter namely:

(i) The de-consolidation of a wholly owned subsidiary; Denko IPC Sdn Bhd (DIPC) following completion of its disposal on 25th October 2013 resulted in a RM1.7 million reduction in Revenue; and

(ii) The termination of the Group's Wholesaler Agreement to distribute Abbott range of milk powder products with effect from 30th September 2013 resulted in a RM2.2 million reduction in Revenue.

The combined effects of the above is summarized in the table below:

TABLE 1 – Adjusted Total Revenue

Revenue	Q4-FY14	Q4-FY13	Variance
	RM'000		
Total Revenue	16,888	21,557	(4,669)
Less: De-consolidation of DIPC	-	(1,690)	1,690
Less: Termination of Abbott Wholesaler Agreement	-	(2,200)	2,200
Adjusted Total Revenue	16,888	17,667	(779)

As can be seen from TABLE 1 above, after adjusting for the non recurring once-off events, the adjusted Revenue Reduction is RM700,000 (-4%). The bulk of this reduction is at the Consumer Goods Trading Division.

TABLES 1-1 and 1-2 summarizes the Revenue for each of the Manufacturing and Consumer Goods Trading Division.

TABLE 1-1 Adjusted Revenue for Manufacturing Division

Revenue	Q4-FY14	Q4-FY13	Variance
	RM'000		
Total Revenue	14,964	12,817	2,147

This Division's higher revenue was buoyed by revenue recognition from tooling in progress carried forward from Q3-FY14 totaling RM2.5 million (Q4-FY13: RM500,000). This higher tooling sales was partially offset by a reduction in Plastic Parts sales of RM400,000 in the current quarter.

Current Quarter vs Prior Year Same Quarter 3 months Comparison (continued)

(a) <u>Revenue (*continued*)</u>

TABLE 1-2 Adjusted Revenue for Consumer Goods Trading Division

	Q4-FY14	Q4-FY13	Variance
	RM'000		
Total Revenue	1,930	6,737	(4,807)
Less: Termination of Abbott Wholesaler Agreement	-	(2,200)	2,200
Adjusted Trading Revenue	1,930	4,537	(2,607)

This Division's adjusted Revenue reduced by RM2.6 million (-57%) in the current quarter primarily due to the following:

(i) The Chinese New Year (CNY) effect. In 2014 CNY was celebrated in January 2014 and therefore most of the customer orders were delivered in December 2013 and accounted for in the previous quarter. In FY13, CNY was celebrated in Feb 2013 and therefore the orders were delivered in January 2013 and accounted for

(ii) Reduction in sales of non house branded products as a result of the ongoing rationalization of the Division's products, customers and suppliers (based on profitability targets set for each category).

(b) <u>Profit/(Loss) Before Taxation</u>

As can be seen from TABLE 2 below, the Group recorded an Adjusted Loss from Operations of RM2 million for the current quarter (Q4-FY13 **<u>Loss</u>**: RM534,000) representing an adverse movement of RM1.5 million.

This loss was contributed by both the Manufacturing and Consumer Goods Trading Divisions.

TABLE 2 – Adjusted Loss Before Taxation (without DIPC and Abbott's profit in Q4-FY13)

	Q4-FY14	Q4-FY13	Variance
	RM'000		
Adjusted Loss from Operations	(1,991)	(534)	(1,457)
<u>Add:</u> Operating Profit from Discontinued Businesses			
- DIPC	-	466	(466)
- Sale of Abbott Products	-	110	(110)
<u>Adjustment for Non operating items</u>			
<u>Add:</u>			
Gain on Disposal of Property, Plant & Equipment	-	35	(35)
Reversal of Accrued Staff Costs	1,056	899	157
Write-Back of Staff Compensation Expenses	-	188	(188)
Write-Back of Accrued Interest Provision	-	126	(126)
<u>Less:</u>			
Impairment of and Assets Written Off	(188)	(4)	(184)
Increase in Provision for Impairment of Trade Debtors	(40)	(62)	22
Bad Debts Written Off - Trade Debtors	(24)	-	(24)
Unrealised Foreign Exchange Gain /(Loss)	(57)	130	(187)
Sub-Total	746	1,888	(1,142)
Profit Before Taxation	(1,245)	1,354	(2,599)

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 2014

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

(i) Manufacturing Division

Per TABLE 3 below, this Division reported an Adjusted Operating Loss of RM1.7 million (Q4-FY13: **Loss** RM792,000) for the quarter under review.

TABLE 3 - Reconciliation of Operating Profit / (Loss) Before Taxation (Excluding DIPC's transaction in Q4-FY13)

Revenue	Q4-FY14	Q4-FY13	Variance
	RM'000		
Adjusted Loss from Operations	(1,722)	(792)	(930)
Adjustment for Non operating items			
Add:			
Reversal of Accrued Staff Costs	1,056	899	157
Write-Back of Accrued Interest Provision	-	126	(126)
Gain on Disposal of Property, Plant & Equipment	-	31	(31)
Less			
Non Operating Inter-co Expense	(90)	-	(90)
Impairment of and written off of Asset	(188)	(4)	(184)
Decrease/(Increase) in Provision of Impairment of Trade Debtors	54	(33)	87
Bad Debts Written Off - Trade Debtors	(24)	-	(24)
Unrealised Foreign Exchange Gain /(Loss)	(57)	131	(188)
Sub-Total	751	1,150	(399)
Profit Before Taxation	(971)	358	(1,329)

The adverse movement of RM930,000 (-117%) in Adjusted Loss from Operations was mainly due to the combination of the following:

(a) The Plastic Parts Sub-Segment suffered a 13% reduction in Gross Margin during the quarter even though there was only marginal 3% reduction in revenue to RM11.8 million (Q4-FY13: RM12.2 million). This is mainly due to the upfront costs incurred to test customers' large number of in-coming transferred toolings prior to obtaining sample approvals and also the customers' postponement of scheduled mass production.

(b) This Division's result was also adversely affected by the higher electricity tariffs which was effected from 1 January 2014. The effect is an incremental RM200,000 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 2014

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

(b) Profit/(Loss) Before Taxation

(i) Manufacturing Division (continued)

The adverse results in the Plastic Part Sub-Segment in the current quarter was partially offset by the significant improvement in the Tooling Sub-Segment . If not for the Tooling Sub Segment's higher revenue and better Gross Margin contribution during the quarter, the Division's Adjusted Loss from Operations would have been even higher.

(ii) Trading (Consumer Goods) Division

Per TABLE 4 below, this Division reported an Adjusted Loss from Operations of RM257,000 (Q4-FY13 **Loss**: RM59,000).

TABLE 4 - Reconciliation of Operating Profit Before Taxation (Removing Abbott's Profit in Q4-FY13)

Revenue	**Q4-FY14**	**Q4-FY13**	**Variance**
		RM'000	
Adjusted Loss from Operations	(257)	(59)	(198)
Profit from sale of Abbott products	-	110	(110)
Adjustment for Non operating items			
Add:			
Non Operating Inter-co. Income	90	-	90
Gain on Disposal of Property, Plant & Equipment	-	4	(4)
Less:			
Impairment of and Bad Debts Written Off - Trade Debtors	(94)	(28)	(66)
Sub-Total	(4)	86	(90)
Profit Before Taxation	(261)	27	(288)

The adverse RM198,000 movement in Adjusted Loss from Operations was mainly due to the combination of:

(a) The Chinese New Year (CNY) effect as explained in Table 1-2 previously.

(b) This Division maintaining a Sales and Marketing Team with additional headcount despite the RM2.6 million reduction in Adjusted Revenue for the quarter.

Current Quarter vs Prior Year Same Quarter 3 months Comparison (continued)
The Performance of the Group by Division for the current quarter was as follows:

(iii) <u>Investment Holding Division</u>

This Division derives its Revenue from dividends declared by the Company's subsidiaries. During the current quarter, the Company did not receive any dividend income. (Q4-FY13: RM1.2 million).

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

	INDIVIDUAL QUARTER	
	3 months ended	
	31.03.2014	**31.12.2013**
	(Unaudited)	**(Audited)**
Segment Revenue	**RM'000**	
Manufacturing	14,964	16,738
Trading (Consumer Goods)	1,930	3,407
Sub-Total (Operating Entities)	16,894	20,145
Management services – **Note 1**	313	374
Investment holding	-	920
Total revenue including inter-segment sales	17,207	21,439
Elimination of inter-segment transactions	(320)	(1,294)
Total revenue	16,888	20,145
Segment Results		
Manufacturing	(971)	(655)
Trading (Consumer Goods)	(261)	49
Sub-Total (Operating Entities)	(1,232)	(606)
Management services	360	337
Investment holdings	(373)	625
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	(1,245)	356
Loss on disposal of a subsidiary	-	-
Elimination of inter-segment transactions	-	(920)
Profit/(Loss) before taxation	(1,245)	(564)

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

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 2014

Current Quarter vs Previous Quarter 3 months comparison

(a) Revenue

The Group's Operating Entities recorded a RM3.2 million decrease in Revenue (-16%) for the current quarter to RM16.9 million (Q3-FY14: RM20.1 million). There was Revenue reduction at both the Manufacturing and Trading (Consumer Goods) Divisions.

(i) **Manufacturing Division**

As the Revenue at the Tooling Sub-Segment was flat when compared with the previous quarter, the entire RM1.7 million (-10%) reduction in Revenue at this Division was mainly attributed to the Plastic Parts Sub-Segment. A major customer experienced lower demand for their products which reduced its offtake of Plastic Parts produced by this Sub-Segment. Furthermore, there were less trading days in the current quarter due to the shutdown for CNY celebrations in Malaysia.

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

The RM1.5 million adverse reduction in Revenue (-43%) at this Division to RM1.9 million (Q3-FY14: RM3.4 million) is mainly due to orders for CNY 2014 in this financial year were delivered and accounted for in the previous quarter.

(b) Loss Before Taxation

As shown in Table 5 below, the significant reduction in Revenue resulted in the Adjusted Operating Loss widening by RM1.6 million to almost RM2 million for the current quarter.

TABLE 5 - Reconciliation of Operating Loss Before Taxation

	Q4-FY14	Q3-FY14	Variance
	RM'000		
Adjusted Loss from Operations	(1,992)	(403)	(1,589)
Adjustment for Non operating items			
Add:			
Reversal of /(Additional) Accrued Staff Costs	1,056	(145)	1,201
Less:			
Impairment of and Assets Written Off	(188)	-	(188)
Increase in Provision for Impairment of Trade Debtors	(40)	(21)	(19)
Bad debts Written Off - Trade Debtors	(24)	(20)	(4)
Unrealised Foreign Exchange Loss / (Gain)	(57)	25	(82)
Sub-Total	746	(161)	907
Loss Before Taxation	(1,245)	(564)	(681)

PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA FOR THE FOURTH QUARTER ENDED 31 MARCH 2014

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

(i) Manufacturing Division

TABLE 6 - Reconciliation of Operating Loss Before Taxation

Revenue	**Q4-FY14**	**Q3-FY14**	**Variance**
	RM'000		
Adjusted Loss from Operations	(1,722)	(444)	(1,278)
Adjustment for Non operating items			
Add:			
Decrease / (Increase) in Provision for Impairment of Trade Debtors	54	(1)	55
Reversal of / (Additional) Accrued Staff Cost	1,056	(145)	1,201
Less:			
Non Operating Inter-co Expense	(90)	(90)	-
Impairment of and Assets Written Off	(188)	-	(188)
Bad Debts Written Off - Trade Debtors	(24)	-	(24)
Unrealised Foreign Exchange Loss / (Gain)	(57)	25	(82)
Sub-Total	751	(211)	962
Loss Before Taxation	(971)	(655)	(316)

This Division's Adjusted Loss from Operations widened by RM1.2 million to RM1.7 million for the current quarter (Q3-FY14: Loss RM444,000). This was due to the following:

(a) The lower Revenue as explained earlier;

(b) the effects of the increase in electricity tarrifs with effect from 1 January 2014 ;

(c) The upfront costs incurred to test customers' large number of in-coming transferred toolings prior to obtaining sample approvals and also the customers' postponement of scheduled mass production.

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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 2014

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

(ii) Trading (Consumer Goods) Division

TABLE 7 - Reconciliation of Operating Loss Before Taxation

	Q4-FY14	Q3-FY14	Variance
	RM'000		
Adjusted Loss from Operations	(257)	(1)	(256)
Adjustment for Non operating items			
Add:			
Non Operating Inter-co. Income	90	90	-
Less:			
Increase in Provision for Impairment of Trade Debtors	(94)	(20)	(74)
Bad Debts Written Off - Trade Debtors		(20)	20
Sub-Total	(4)	50	(74)
Profit / (Loss) Before Taxation	(261)	49	(310)

This Division's adverse variance from almost breakeven in Q3-FY14 to an Adjusted Loss from Operations of RM257,000 was mainly due to:

(a) The CNY effect as explained earlier whereby the lower sales resulted in lower contribution margin to the fixed costs of the Division;

(b) Increased logistics and warehousing costs during the transition period between the termination of the previous outsourced management of the Division's warehouse to appointing a new service provider with effect from 1 April 2014. The new outsourced contractor offers a Total Solution comprising provision of warehouse space and logistics;

(c) Increased wages and salaries resulting from additional head count required to service a revamped product range and distribution channels;

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(21) Current Year Prospects

Per TABLE 8 below, for FY14, the Group recorded an Adjusted LOSS after Taxation of RM1.8 million (excluding the one-off loss on disposal of DIPC; previously the Company's wholly owned subsidiary). This is an adverse increase of RM2.5 million compared with the prior year.

TABLE 8 Adjusted Profit / (Loss) Before Taxation

	12 months to 31st March		
	2014	**2013**	**Variance**
	RM'000		
REVENUE	74,354	86,779	(12,425)
(Loss) / Profit After Taxation from Continuing Operations	(3,608)	729	(4,337)
Add:			
Loss on disposal of DIPC	1,803	-	1,803
Adjusted (Loss) / Profit After Taxation	(1,805)	729	(2,534)

The adverse RM2.5 million movement from a profit in FY 2013 to an Adjusted Loss of RM1.8 million for FY14 is mainly due to:

(a) The RM12 million reduction in Revenue resulted in lower contribution margin towards the Group's fixed costs;

(b) The full year impact of the RM900 Minimum Wages implemented by the Malaysian Government with effect from 1 January 2013 (i.e. the impact on the FY13 results was for three (3) months only);

(c) The three (3) month impact of the increased electricity tariff nationwide with effect from 1 January 2014;

(d) The legal costs and disbursements incurred to defend the legal suit as mentioned in Note 26.

(i) **Manufacturing Division**

As explained earlier, external factors beyond the Management and Board's control had a major adverse impact on the Division's results for FY14.

(a) Operating in a capital intensive industry, this Division operates a large fleet of injection moulding and tool fabrication machines coupled with supporting ancillary machinery and equipment which are totally reliant on electrical power for its operations. The average 17% increase in electricity tariffs increased the operating costs by RM200,000 for Q4-FY14 alone.

(b) In addition, this Division's production labour force is predominently staffed by foreign workers. The full year impact of the introduction of RM900 Minimum Wages increased the Division's operating cost by RM900,000 for FY14.

(21) Current Year Prospects

(i) **Manufacturing Division**

Whilst the Group's strategy to increase the Division's customer base and Revenue is gaining traction, the escalating cost environment in Malaysia is a major challenge for FY15. The Board has tasked the Management with the vision to invest in energy efficient machinery and equipment to address the increasing energy costs and at the same time to automate as much of the manufacturing processes as possible to reduce the escalating labour costs.

This Division is entering FY15 with a strong order book which is expected to be expanded further. A new and wholly owned subsidiary to fabricate toolings and plastic parts manufacture has been incorporated in the Republic of Indonesia to target the vast opportunities offered by the increasing affluence and growth of the Indonesian economy. The plan is for this business expansion and geographic diversification to contribute positively to this Division's future profitabililty.

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

Apart from the ongoing rationalisation of products, suppliers and customers which commenced in calendar 2012, the termination of the Abbott Wholesaler Agreement and the costs incurred to develop new distributor relationships had adversely impacted on this Division's results for FY14.

Much effort has been made to re-strategise, re-group and to revise this Division's business model. The Directors have reasons to believe that FY15 will be a better year at this Division.

In summary, FY15 will remain a challenging year for the Group to return to profitability especially with the expectation that a review of the current RM900 Minimum Wages which is scheduled to be conducted by 31 December 2014 will increase the labout costs further. In addition, the prospective introduction of the Goods and Services Tax (GST) in April 2015 will require the Group to incur additional costs (from software acquisition, introduction of new processes and procedures to staff training), to be GST ready and compliant.

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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 2014

(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 31st March		CUMULATIVE QUARTERS 12 months ended 31st March	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	(Audited)
	RM'000		RM'000	
Continuing Operations				
Over provided in previous year	0	0	0	173
In respect of current period				
-Malaysian income tax	168	(278)	54	(321)
-Deferred tax	934	(241)	934	(195)
	1,102	(519)	988	(343)
Discontinued Operations				
In respect of current period				
-Malaysian income tax	-	(573)	(82)	(591)
-Deferred tax	-	(142)	-	(142)
	1,102	(1,234)	906	(1,076)

(24) Status of Corporate Proposals

There were no Corporate Proposals 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 FOURTH QUARTER ENDED 31 MARCH 2014

(25) Group Borrowings

Details of the unaudited Group borrowings as at 31 March 2014 are as follows:

Type of borrowing	**Short term**	**Long term**	**Total**
	Secured		
	RM'000		
Bank Overdraft	593	-	593
Bills Payable and Bankers Acceptance	9,079	-	9,079
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	543	1,336	1,879
Term Loans	1,125	2,461	3,586
TOTAL	13,340	3,797	17,137

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	593	-	-	1,020	-	1,613
Repayment	-	(2,751)	-	(1,202)	(1,331)	(5,284)
As at end of period 31 March 2014	593	9,079	2,000	1,879	3,586	17,137

(26) Material Litigation

There were no new development or additional material litigation reported in this current quarter, except for the following:

Johor Bahru High Court Civil Suit No.: 22NCVC-248-12/2013

Plaintiffs: Ng Swee Yong
Ng Choy Wan
Lim Ngak Ee
Zainuddin Bin Yahya

Defendant: Denko Industrial Corporation Berhad

(26) Material Litigation (continued)

On 11 May 2014, the Johor Bahru High Court determined as follows:

1a. The 1st and 2nd Plaintiffs' claim is time-barred under Section 6 of the Limitation Act 1953; and

1b. The 3rd and 4th Plaintiffs do not have privity of contract and are not entitled to enforce Clause 6.04 of the Sales and Purchase Agreement dated 4 June 2002. Therefore, they are not entitled to the reliefs sought in the Statement of Claim.

T**he Plaintiffs' claim was dismissed** with costs.

2. The Court fixed a further case management date on 8 June 2014 for Denko to update the Court on Denko's counterclaim and for the Plaintiffs to update on the filing of Appeal against the said decision.

(27) Dividend Payable

No interim dividend has been recommended for the current quarter.

(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	
		2014	**2013**	**2014**	**2013**
		(Unaudited)		**(Unaudited)**	**(Audited)**
Profit / (loss) attributable to ordinary equity holders of the parent	RM	(142,801)	120,000	(3,037,801)	4,374,000
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	**(0.14)**	**0.11**	**(2.91)**	**4.19**

(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.

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 FOURTH QUARTER ENDED 31 MARCH 2014

(30) Discontinued Operations
Analysis of the results of the discontinued operations is as follows:

	INDIVIDUAL QUARTER 3 months ended 31st March		CUMULATIVE QUARTERS 12 months ended 31st March	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	(Audited)
	RM'000	RM'000	RM'000	RM'000
Revenue	-	1,690	2,952	6,405
Cost Of Sales	-	(1,100)	(2,014)	(4,528)
Gross Profit	-	590	938	1,877
Other Income	-	50	328	4,379
Marketing and Distribution Costs	-	(114)	(298)	(438)
Administration Expenses	-	(61)	(313)	(832)
Other Operating Gains/(Expenses)	-	(30)	(3)	(448)
Profit/(Loss) From Operations	-	435	653	4,538
Finance Costs	-	32	-	(159)
Profit/(Loss) Before Tax	-	467	653	4,379
Taxation	-	(715)	(82)	(734)
Profit/ (Loss) Net of Tax for the period	-	(248)	570	3,645

Included in the Loss before taxation from the discontinued operation are the following:

		INDIVIDUAL QUARTER 3 months ended 31st March		CUMULATIVE QUARTERS 12 months ended 31st March	
		2014	2013	2014	2013
		(Unaudited)		(Unaudited)	(Audited)
		RM'000	RM'000	RM'000	RM'000
(i)	Interest Income	-	4	3	15
(ii)	Other income including investment income	-	47	202	116
(iii)	Interest expense	-	(32)	-	(159)
(iv)	Depreciation and amortization	-	72	(88)	(219)
(v)	Reversal of provision / (Provision) for receivables / (Bad Debts written off)	-	(47)	108	(56)
(vi)	Decrease / (Increase) of provision of slow moving inventories	-	-	-	(301)
(vii)	Gain/(loss) on disposal of quoted or unquoted investment or properties	-	-	-	4,232
(viii)	Write off/Impairment of assets	-	-	-	(104)
(ix)	Foreign exchange gain/(loss)	-	17	12	29

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 2014

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

	As at 31.03.2014 (Unaudited) RM'000
Total Accumulated Losses of the Group	
- Realised	6,995
- Unrealised	4,176
Total Group Accumulated Losses as per Consolidated Unaudited Financial Statements	11,171

(32) Authorised for Issue

These Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 30th May 2014.

BY ORDER OF THE BOARD
Woo Min Fong (MAICSA 0532413)
Wong Chee Yin (MAICSA 7023530)
Goh Anne (MIA 36898)
Company Secretaries