



DENKO INDUSTRIAL CORPORATION BERHAD

(190155-M)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED
30 June 2014**

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

INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 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 FIRST QUARTER ENDED 30 JUNE 2014**

	INDIVIDUAL QUARTER 3 months ended 30th June		CUMULATIVE QUARTER 3 months ended 30th June	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000	RM'000	RM'000	RM'000
Revenue	19,525	19,791	19,525	19,791
Cost Of Sales	(16,664)	(17,842)	(16,664)	(17,842)
Gross Profit	2,861	1,949	2,861	1,949
Other Income	157	235	157	235
Marketing and Distribution Costs	(992)	(758)	(992)	(758)
Administration Expenses	(1,343)	(1,142)	(1,343)	(1,142)
Other Operating Gains/(Expenses)	(73)	(29)	(73)	(29)
Profit/(Loss) From Operations	610	255	610	255
Finance Costs	(234)	(281)	(234)	(281)
Loss on disposal of an subsidiary	-	-	-	-
Profit/(Loss) Before Tax	376	(26)	376	(26)
Taxation	52	(38)	52	(38)
Profit/ (Loss) from Continuing Operation, Net of Tax for the period	428	(64)	428	(64)
<u>Discontinued Operation</u>				
Profit/ (Loss) from Discontinuing Operation, Net of Tax for the period	-	237	-	237
Profit/ (Loss) Net of Tax for the period	428	173	428	173
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) attributable to equity holders of the parent	428	173	428	173
Basic, profit/(loss) per ordinary share (sen)	0.41	0.17	0.41	0.17
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 2014 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 FIRST QUARTER ENDED 30 JUNE 2014

	Note	As at 30.06.2014 (Unaudited)	As at 31.03.2014 (Audited)
RM'000			
ASSETS			
Non-current assets			
Property, plant and equipment	9	43,074	44,383
Current assets			
Inventories		13,432	12,447
Trade and other receivables		17,418	16,142
Current tax asset		412	1,272
Cash and bank balances		1,178	378
Total current assets		32,440	30,239
TOTAL ASSETS		75,514	74,622
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		41,788	41,788
Reserves		5,421	5,421
Accumulated losses		(10,480)	(10,908)
Total Equity		36,729	36,301
Non current liabilities			
Long term borrowings	25	3,742	3,796
Trade payables and Other payables		2,415	1,413
Deferred tax liabilities		4,107	4,107
Total non-current liabilities		10,264	9,316
Current Liabilities			
Trade and other payables		16,126	15,665
Current Tax Liabilities		-	-
Short term borrowings	25	12,395	13,340
Total current liabilities		28,521	29,005
TOTAL LIABILITIES		38,785	38,321
TOTAL EQUITY AND LIABILITIES		75,514	74,622
Net assets per share attributable to equity holders of the parents (RM)		0.3516	0.3475

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2014 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 2014

	Attributable to equity holders of the parent				
	----- Non-distributable -----				
	Share Capital	Share Premium	Revaluation Reserves	Accumulated Losses	Total
	RM'000				
At 1 APRIL 2014	41,788	1,566	3,855	(10,908)	36,301
Total comprehensive losses for the period	-	-	-	428	428
At 30 JUNE 2014	41,788	1,566	3,855	(10,480)	36,729
At 1 APRIL 2013	41,788	1,566	3,790	(7,805)	39,339
Total comprehensive income for the period	-	-	-	173	173
At 30 JUNE 2013	41,788	1,566	3,790	(7,632)	39,512

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2014 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 CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2014

	Note	3 months to	
		30.06.2014	30.06.2013
		(Unaudited)	
		RM'000	
1. Cash flow from operating activities			
Profit (loss) before tax from continuing operation		376	(26)
Profit (loss) before tax from discontinuing operation		-	317
		376	291
<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		(33)	(73)
Depreciation		1,330	1,568
Gain on disposal of property, plant and equipment		(31)	(1)
Property, plant and equipment written off		-	2
Interest expense		234	281
Interest income		-	(1)
Increase/(decrease) in provision for slow moving stocks		(412)	92
Unrealised (gain)/loss on foreign exchange		39	(47)
		1,502	2,112
Operating profit before working capital changes			
Net change in inventories		(573)	990
Net change in trade and other receivables		(1,258)	(685)
Net change in trade and other payables		359	560
Net change in amount due to directors		1,065	35
		1,096	3,012
Cash generated from / (used in) operations			
Interest paid		(134)	(157)
Income tax paid		(85)	(41)
Income tax refund		1,013	4
		1,890	2,818
Net cash from / (used in) operating activities			

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2014 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 CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2014

	Note	3 months to	
		30.06.2014	30.06.2013
		(Unaudited)	
		RM'000	
2. Cash flow from investing activities			
Purchase of fixed assets		(21)	(77)
Interest received		-	1
Proceeds from disposal of fixed assets		31	1
Net cash (used in) / from investing activities		10	(75)
3. Cash flow from financing activities			
(Repayment)/Increase in short term borrowings		(830)	(1,559)
Repayment of term loans		(348)	(326)
Repayment of hire purchase creditors		(138)	(492)
Drawdown of hire purchase creditors		159	-
Interest paid		(100)	(124)
Net cash used in financing activities		(1,257)	(2,501)
Net increase/(decrease) in cash and cash equivalents		643	242
Cash and cash equivalents as at beginning of financial period 1st April		(215)	1,412
Cash and cash equivalents as at end of financial period 30th June*		428	1,654
<i>*Cash and cash equivalents at the end of the financial period comprise the following:</i>			
Fixed deposits with licensed banks		-	90
Cash and bank balances		1,178	2,155
Bank overdrafts	25	(750)	(501)
		428	1,744
Less: Fixed deposits pledged to licensed banks		-	(90)
		428	1,654
<i>*Cash and cash equivalents at the end of the financial period from Continuing and Discontinued Operations as below:</i>			
<u>Continuing Operations:</u>			
Cash and bank balances		428	1,176
<u>Discontinued Operations:</u>			
Fixed deposits with licensed banks		-	90
Cash and bank balances		-	478
		428	1,744

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2014 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 FIRST QUARTER ENDED 30 JUNE 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	To be announced by MASB
MFRS 9 (2010) Financial Instruments	
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	
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.

PART A

**SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134
FOR THE FIRST QUARTER ENDED 30 JUNE 2014**

(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 2014.

(3) Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report on the Audited Financial Statements for the year ended 31 March 2014 was not qualified.

(4) Segmental Reporting

The Group's operations comprise the business segments in Malaysia and Indonesia as below:

The Malaysian operations comprise the following business segments:

- (i) Manufacturing
- (ii) Trading (Consumer Goods)
- (iii) Management services
- (iv) Investment holding

The Indonesian subsidiary was established to fabricate tooling and manufacture of plastic parts. However to-date it has not commenced commercial operations.

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)
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PART A

**SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134
FOR THE FIRST QUARTER ENDED 30 JUNE 2014**

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

	3 months ended 30th June	
	2014	2013
	(Unaudited)	
	RM'000	
Balance PPE at 1st April	44,383	49,356
Additions	21	77
Disposals	(0)	-
Write offs	-	(2)
Depreciation and Amortization	(1,330)	(1,568)
PPE at 30th June	43,073	47,863

(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 2014.

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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 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 except for the following:

A subsidiary in the Manufacturing Division incorporated a wholly owned subsidiary in Indonesia namely PT Winsheng Plastic and Tooling Industry (PTWSP). The principal activities of the newly incorporated subsidiary are tooling fabrication and plastic parts manufacture.

The Authorised Share Capital of PTWSP is IDR27,000,000,000 comprising 270,000 shares of IDR100,000 each of which 90,000 shares are issued and fully paid (equivalent to RM2.547 million).

(14) Capital Commitments

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

	As at 30.06.2014 (Unaudited) RM'000
- Authorised but not contracted	7,021
- Contracted but not provided	2,725

(15) Changes in Contingent Liabilities and Contingent Assets

	As at 30.06.2014 (Unaudited) RM'000
Contingent liability Corporate guarantees provided to financial institutions for credit facilities granted to subsidiaries	15,912

(16) Material Subsequent Events

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

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PART A

**SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134
FOR THE FIRST QUARTER ENDED 30 JUNE 2014**

(17) Profit for the period

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		3 months ended	
		30th June			
		2014	2013	2014	2013
		(Unaudited)		(Unaudited)	
		RM'000			
(i)	Interest Income	-	1	-	1
(ii)	Other income including investment income	87	264	87	264
(iii)	Interest expense	(234)	(281)	(234)	(281)
(iv)	Depreciation and amortization	(1,330)	(1,568)	(1,330)	(1,568)
(v)	Reversal of provision / (Provision) for receivables / (Bad Debts written off)	33	74	33	74
(vi)	Decrease / (Increased) in Provision for slow moving inventories	412	(92)	412	(92)
(vii)	Gain/(loss) on disposal of quoted or unquoted investment or properties	31	1	31	1
(viii)	Write off/Impairment of assets	-	(2)	-	(2)
(ix)	Foreign exchange gain/(loss)	(67)	62	(67)	62

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 2014

(18) Review of Current Quarter Performance

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	30th June			
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000			
Segment Revenue				
Continued operations:				
Manufacturing	16,852	14,556	16,852	14,556
Trading (Consumer Goods)	2,673	5,278	2,673	5,278
Sub-Total (Operating Entities)	19,525	19,834	19,525	19,834
Management services – (Note1)	318	346	318	346
Investment holding	-	-	-	-
Total revenue including inter-segment sales	19,843	20,180	19,843	20,180
Elimination of inter-segment transactions	(318)	(389)	(318)	(389)
Revenue from Continued operations	19,525	19,791	19,525	19,791
Discontinued operations:				
Manufacturing	-	1,565	-	1,565
Total Revenue	19,525	21,356	19,525	21,356
Segment Results				
Continued operations:				
Manufacturing	486	(176)	486	(176)
Trading (Consumer Goods)	(119)	109	(119)	109
Sub-Total (Operating Entities)	367	(67)	367	(67)
Management services	276	294	276	294
Investment holding	(267)	(253)	(267)	(253)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	376	(26)	376	(26)
Elimination of inter-segment transactions	-	-	-	-
Profit Before Tax from Continued operations	376	(26)	376	(26)
Discontinued operations:				
Manufacturing	-	317	-	317
Profit/(Loss) Before Taxation	376	291	376	291

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 BURSA MALAYSIA FOR THE FIRST QUARTER ENDED 30 JUNE 2014

Current Quarter vs Prior Year Same Quarter 3 months Comparison

(a) Revenue

(i) Manufacturing Division

This Division performed well during the quarter. Its underlying Revenue increased by RM2.3 million (+15%) during the quarter with both the Tooling and the Plastic Parts Sub Segments contributing to the Revenue growth.

(ii) Trading (Consumer Goods) Division

This Division's Revenue has increased since the last quarter but its underlying Revenue reduced by RM805,000 when compared with the same quarter last year. This is within expectations as the Division had planned for a Revenue reduction when it commenced the project to progressively rationalise its product range, supplier and customer base in calendar 2012.

However, after accounting for the once-off effects of the discontinued activities amounting to RM3.4 million (comprising Revenue reduction following the sale of our wholly owned subsidiary - Denko IPC Sdn Bhd ("DIPC") and the termination of the Abbott Wholesaler Agreement), the Group's Revenue declined by RM1.8 million (-8.6%) for the current quarter under review to RM19.5 million (Q1-FY14: RM21.3 million).

(b) Profit/(Loss) Before Taxation

Notwithstanding the RM1.8 million (-8.6%) reduction in Revenue for the current quarter, the Group still managed to achieve a small improvement in its Profit Before Tax to RM376,000 (Q1-FY14: RM291,000).

(i) Manufacturing Division

This Division was the main contributor to the Group's profit turnaround owing to its RM2.3 million Revenue growth for the quarter. Within this Division, it was the Tooling Sub-Segment which was the key performer as its Revenue provides a higher margin contributor relative to Plastic Parts.

The Division's operating expenses were stable even though there was a 17% increase (RM300,000) in electricity costs for the quarter. This increased costs was largely offset by the lower depreciation charges.

(ii) Trading (Consumer Goods) Division

There was a small improvement in the loss incurred at this Division when compared to the last quarter. However, when compared to the same quarter last year, this Division loss widened by RM228,000 to a loss of RM119,000 (Q1-FY14: profit of RM109,000 due to:

(a) The loss of profits following the termination of the Abbott Wholesaler Agreement; and

(b) The Division increasing its headcount as it rolls out its Revenue recovery strategy via expansion of existing markets, launching and promoting new products and increasing the distribution channels.

(iii) Investment Holding Division

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. (Q1-FY14: Nil).

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 2014**

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:

(19) Comparison with Immediate Preceding Quarter's Results

	INDIVIDUAL QUARTER	
	3 months ended	
	30.06.2014	31.03.2014
	(Unaudited)	
	RM'000	
<u>Segment Revenue</u>		
Manufacturing	16,852	14,964
Trading (Consumer Goods)	2,673	1,930
Sub-Total (Operating Entities)	19,525	16,894
Management services – Note 1	318	313
Investment holding	-	-
Total revenue including inter-segment sales	19,843	17,207
Elimination of inter-segment transactions	(318)	(320)
Total revenue	19,525	16,887
<u>Segment Results</u>		
Manufacturing	486	(971)
Trading (Consumer Goods)	(119)	(261)
Sub-Total (Operating Entities)	367	(1,232)
Management services	276	360
Investment holdings	(267)	(373)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	376	(1,245)
Elimination of inter-segment transactions	-	-
Profit/(Loss) before taxation	376	(1,245)

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 BURSA MALAYSIA FOR THE FIRST QUARTER ENDED 30 JUNE 2014**

Current Quarter vs Previous Quarter 3 months comparison

(a) Revenue

The Group recorded a RM2.6 million increase in Revenue (+16%) for the current quarter to RM19.5 million (Q4-FY14: RM16.9 million). Both Operating Divisions reported higher Revenue.

(i) Manufacturing Division

This Division's Revenue increased by RM1.9 million (+13%) to RM16.8 (Q4-FY14: RM14.9 million). The major contributor is the Plastic Parts Sub-Segment as there was increased injection machine utilisation during the quarter due to pick up in customer demand and in part due to less trading days owing to the Chinese New Year ("CNY") plant shutdown during the previous quarter.

(ii) Trading (Consumer Goods) Division

This Division increased its Revenue by RM740,000 (+38%) to RM2.6 million (Q4-FY14: RM1.9 million) largely due to the fact that the previous quarter was a seasonally low Revenue quarter. The CNY deliveries were largely completed and recorded as Revenue in Q3-FY14. The focus on our HOMAX house brand is yielding good results as its Revenue is trending up.

(b) Profit Before Taxation

The Group reported a favourable RM1.5 million turnaround in Profit Before Taxation to RM376,000 for the current quarter (Q1-FY14: Loss of RM1.2 million). The gain was almost entirely attributable to the better performance at the Manufacturing Division.

(i) Manufacturing Division

This Division generated a RM1.5 million favourable turnaround during the quarter to report a Profit Before Taxation of RM0.5 million compared to a loss of RM1 million in the preceeding quarter. Other than the contribution from increased Revenue, the significant improvement is due to a combination of the following:

- (a) In the previous quarter, there was a RM188,000 once-off Impairment of Fixed Assets; and
- (b) Improved production efficiency and productivity at the Plastic Part Sub-Segment led to a higher Gross Margin of 15% for the quarter (Q4-FY14: 12%).

(ii) Trading (Consumer Goods) Division

This Division managed to reduce its losses to RM119,000 compared to RM261,000 in the preceeding quarter. The improvement is entirely due to the higher Revenue generated as its expenses were largely flat.

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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 2014**

(20) Current Year Prospects

The Board expects FY15 to remain a challenging year for the Group to return to profitability as external influences beyond the Management's control is expected to adversely impact the Group's earnings. The RM900 Minimum Wages instituted on 1 January 2013 is scheduled for review by calendar year end and there is every expectation that it will be increased further to counter the effect of the Goods and Services Tax which comes into effect on 1 April 2015. FY15 will also bear the first full year effects of the increased electricity tariffs on 1 January 2014. The combination of all of the above will serve to increase the Group's cost base.

(i) Manufacturing Division

This Division commenced the Financial Year with a healthy business pipeline which is being progressively translated into firm orders. There are trouble signs within the industry in Johor as some of our competitors have of late ceased their operations. As a result, the Division is receiving increased enquiries from potential customers looking for more established and financially healthy suppliers which augurs well for our Group.

In an effort to arrest the spiralling labour and electricity costs, the Board has approved Management's proposal to invest in automation of some of the Division's processes. As there will be a lead time between the design, selection, implementation, testing and commissioning of such improvements, the cost savings derived will most likely benefit FY16 and beyond.

The Group's wholly owned subsidiary in Indonesia is targeted to be operational by 1 December 2014. There are strong indications of support from the Division's current customers who also have operations in Jakarta. As an initial start-up from ground zero, the subsidiary is not expected to contribute much to the Group's earnings in FY15.

(ii) Trading (Consumer Goods) Division

FY14 was a difficult year for this Division. While the costs associated with changing its Business Model (involving rationalization of products, suppliers and customers) to accommodate and reflect the changed retail environment (from distribution channels to increase in consumers' sophistication and preferences) were budgeted for, the unexpected termination of the Abbott Wholesaler Agreement created much turmoil for the Division.

The Management of this Division has post the Abbott termination launched several new products under the HOMAX homebrand and have developed and deepened its distribution channels. While the incremental Revenue is far from being able to offset the loss of the milk powder business, the higher margin derived from selling our homebranded products is making good progress towards covering the earnings loss from the milk powder business.

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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 FIRST QUARTER ENDED 30 JUNE 2014**

(21) Profit Forecast and Profit Guarantee

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

(22) Taxation

	INDIVIDUAL QUARTER 3 months ended 30th June		CUMULATIVE QUARTER 3 months ended 30th June	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000		RM'000	
<u>Continuing Operations</u>				
In respect of current period				
-Malaysian income tax	52	(38)	52	(38)
-Deferred tax	-	-	-	-
	52	(38)	52	(38)
<u>Discontinued Operations</u>				
In respect of current period				
-Malaysian income tax	-	(80)	-	(80)
-Deferred tax	-	-	-	-
	52	(118)	52	(118)

(23) Status of Corporate Proposals

There were no Corporate Proposals in the current quarter.

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EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE FIRST QUARTER ENDED 30 JUNE 2014

(24) Group Borrowings

Details of the unaudited Group borrowings as at 30 June 2014 are as follows:

Type of borrowing	Short term	Long term	Total
	Secured		
RM'000			
Bank Overdraft	751	-	751
Bills Payable and Bankers Acceptance	8,249	-	8,249
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	381	1,518	1,899
Term Loans	1,014	2,224	3,238
TOTAL	12,395	3,742	16,137

Drawdown and Repayment Schedule

	Bank Overdraft	Bills Payable and Bankers Acceptance	Revolving Credit	Hire Purchase Creditors	Term Loans	Total
RM'000						
As at beginning of period 1 April 2014	593	9,079	2,000	1,879	3,586	17,137
Drawdown	158	-	-	159	-	317
Repayment	-	(830)	-	(139)	(348)	(1,317)
As at end of period 30 June 2014	751	8,249	2,000	1,899	3,238	16,137

(25) 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

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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 FIRST QUARTER ENDED 30 JUNE 2014**

(25) Material Litigation (continued)

The Johor Bahru High Court dismissed the Plaintiffs' suit with costs on 11 May 2014 and set a case management date of 8 June 2014 for an update on Denko's counterclaim and the filing of the Plaintiffs' Appeal against the decision.

On 8 June 2014, the Parties entered into a Consent Order in respect of the following:

- (i) Denko will withdraw its counterclaim against the Plaintiffs with no order as to costs;
- (ii) Denko will waive the costs awarded against the Plaintiffs;
- (iii) The Plaintiffs will not proceed with the filing of the Appeal; and
- (iv) The Plaintiffs will have no further claims against Denko in respect of the suit.

This case is settled and closed.

(26) Dividend Payable

No interim dividend has been recommended for the current quarter.

(27) 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-Jun		CUMULATIVE QUARTER 3 months ended 30-Jun	
		2014	2013	2014	2013
		(Unaudited)		(Unaudited)	
Profit / (loss) attributable to ordinary equity holders of the parent	RM	428,254	173,000	428,254	173,000
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	0.41	0.17	0.41	0.17

(28) 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.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 JUNE 2014**

(29) Discontinued Operations

Analysis of the results of the discontinued operations is as follows:

	INDIVIDUAL QUARTER 3 months ended 30th June		CUMULATIVE QUARTER 3 months ended 30th June	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000	RM'000	RM'000	RM'000
Revenue	-	1,565	-	1,565
Cost Of Sales	-	(1,143)	-	(1,143)
Gross Profit	-	422	-	422
Other Income	-	193	-	193
Marketing and Distribution Costs	-	(146)	-	(146)
Administration Expenses	-	(152)	-	(152)
Other Operating Gains/(Expenses)	-	(0)	-	(0)
Profit/(Loss) From Operations	-	317	-	317
Finance Costs	-	-	-	-
Profit/(Loss) Before Tax	-	317	-	317
Taxation	-	(80)	-	(80)
Profit/ (Loss) Net of Tax for the period	-	237	-	237

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

	INDIVIDUAL QUARTER 3 months ended 30th June		CUMULATIVE QUARTER 3 months ended 30th June	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000	RM'000	RM'000	RM'000
(i) Interest Income	-	1	-	1
(ii) Other income including investment income	-	174	-	174
(iii) Interest expense	-	-	-	-
(iv) Depreciation and amortization	-	(43)	-	(43)
(v) Reversal of provision / (Provision) for receivables / (Bad Debts written off)	-	16	-	16
(vi) Decrease / (Increase) in provision of slow moving inventories	-	-	-	-
(vii) Gain/(loss) on disposal of quoted or unquoted investment or properties	-	-	-	-
(viii) Write off/Impairment of assets	-	-	-	-
(ix) Foreign exchange gain/(loss)	-	-	-	-

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 FIRST QUARTER ENDED 30 JUNE 2014**

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

	As at 30.06.2014 (Unaudited) RM'000
Total Accumulated Losses of the Group	
- Realised	6,334
- Unrealised	4,146
Total Group Accumulated Losses as per Consolidated Unaudited Financial Statements	10,480

(31) Authorised for Issue

These Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 20th August 2014.

BY ORDER OF THE BOARD

Woo Min Fong (MAICSA 0532413)

Wong Chee Yin (MAICSA 7023530)

Goh Anne (MIA 36898)

Company Secretaries