



DENKO INDUSTRIAL CORPORATION BERHAD

(190155-M)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 September 2014**

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

INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 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 SECOND QUARTER ENDED 30 SEPTEMBER 2014**

	INDIVIDUAL QUARTER 3 months ended 30th September		CUMULATIVE QUARTERS 6 months ended 30th September	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000	RM'000	RM'000	RM'000
Revenue	19,001	17,524	38,525	37,316
Cost Of Sales	(17,125)	(16,033)	(33,789)	(33,875)
Gross Profit	1,876	1,490	4,737	3,441
Other Income	161	212	319	447
Marketing and Distribution Costs	(905)	(838)	(1,897)	(1,597)
Administration Expenses	(1,000)	(1,364)	(2,343)	(2,506)
Other Operating Gains/(Expenses)	18	(363)	(55)	(393)
Profit/(Loss) From Operations	150	(862)	760	(609)
Finance Costs	(251)	(95)	(485)	(375)
Loss on disposal of an subsidiary	-	(1,803)	-	(1,803)
Profit/(Loss) Before Tax	(101)	(2,760)	275	(2,787)
Taxation	-	38	52	0
Profit/ (Loss) from Continuing Operation, Net of Tax for the period	(101)	(2,722)	327	(2,786)
<u>Discontinued Operation</u>				
Profit/ (Loss) from Discontinuing Operation, Net of Tax for the period	-	333	-	570
Profit/ (Loss) Net of Tax for the period	(101)	(2,389)	327	(2,216)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) attributable to equity holders of the parent	(101)	(2,389)	327	(2,216)
Basic, profit/(loss) per ordinary share (sen)	(0.10)	(2.29)	0.31	(2.12)
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 SECOND QUARTER ENDED 30 SEPTEMBER 2014

	Note	As at 30.09.2014 (Unaudited)	As at 31.03.2014 (Audited)
RM'000			
ASSETS			
Non-current assets			
Property, plant and equipment	9	41,809	44,383
Current assets			
Inventories		14,046	12,447
Trade and other receivables		18,505	16,142
Current tax asset		459	1,272
Cash and bank balances		134	378
Total current assets		33,144	30,239
TOTAL ASSETS		74,953	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		(10,581)	(10,908)
Total Equity		36,628	36,301
Non current liabilities			
Long term borrowings	25	3,429	3,796
Trade payables and Other payables		2,350	1,413
Deferred tax liabilities		4,107	4,107
Total non-current liabilities		9,886	9,316
Current Liabilities			
Trade and other payables		15,891	15,665
Current Tax Liabilities		-	-
Short term borrowings	25	12,548	13,340
Total current liabilities		28,439	29,005
TOTAL LIABILITIES		38,325	38,321
TOTAL EQUITY AND LIABILITIES		74,953	74,622
Net assets per share attributable to equity holders of the parents (RM)		0.3506	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 SECOND QUARTER ENDED 30 SEPTEMBER 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 Income for the period	-	-	-	327	327
At 30 SEPTEMBER 2014	41,788	1,566	3,855	(10,581)	36,628
At 1 APRIL 2013	41,788	1,566	4,118	(8,133)	39,339
Total comprehensive losses for the period	-	-	-	(2,216)	(2,216)
At 30 SEPTEMBER 2013	41,788	1,566	4,118	(10,349)	37,123

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 SECOND QUARTER ENDED 30 SEPTEMBER 2014

	6 months to	
	30.09.2014	30.09.2013
	(Unaudited)	
	RM'000	
Note		
1. Cash flow from operating activities		
Profit (loss) before tax from continuing operation	275	(2,787)
Profit (loss) before tax from discontinuing operation	-	652
	275	(2,135)
<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	(51)	(253)
Depreciation	2,696	3,127
Loss on disposal of a subsidiary company	-	1,803
Gain on disposal of property, plant and equipment	(31)	(1)
Property, plant and equipment written off	-	2
Interest expense	485	375
Interest income	-	(3)
Increase/(decrease) in provision for slow moving stocks	(204)	-
Unrealised (gain)/loss on foreign exchange	(56)	37
	3,114	2,952
Net change in inventories	(1,395)	(1,145)
Net change in trade and other receivables	(2,311)	(237)
Net change in trade and other payables	176	4,525
Net change in amount due to directors	1,040	(592)
	624	5,503
Interest paid	(285)	(301)
Income tax paid	(147)	(53)
Income tax refund	1,013	39
	1,205	5,188
Net cash from operating activities	1,205	5,188

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 SECOND QUARTER ENDED 30 SEPTEMBER 2014

	Note	6 months to	
		30.09.2014	30.09.2013
		(Unaudited)	
		RM'000	
2. Cash flow from investing activities			
Purchase of fixed assets		(122)	(307)
Interest received		-	3
Proceeds from disposal of fixed assets		31	1
Deconsolidation of a subsidiary company		-	(1,236)
Net cash (used in) / from investing activities		(91)	(1,539)
3. Cash flow from financing activities			
(Repayment)/Increase in short term borrowings		(572)	(3,353)
Repayment of term loans		(575)	(655)
Repayment of hire purchase creditors		(281)	(204)
Drawdown of hire purchase creditors		159	-
Interest paid		(201)	(74)
Net cash used in financing activities		(1,469)	(4,286)
Net increase/(decrease) in cash and cash equivalents		(356)	(637)
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 September*		(571)	775
<i>*Cash and cash equivalents at the end of the financial period comprise the following:</i>			
Fixed deposits with licensed banks		-	-
Cash and bank balances		134	775
Bank overdrafts	25	(703)	-
Less: Fixed deposits pledged to licensed banks		(571)	775
		(571)	775
<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		(571)	775
<u>Discontinued Operations:</u>			
Fixed deposits with licensed banks		-	-
Cash and bank balances		-	-
		(571)	775

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 SECOND QUARTER ENDED 30 SEPTEMBER 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 SECOND QUARTER ENDED 30 SEPTEMBER 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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PART A

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

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

	6 months ended 30th September	
	2014	2013
	(Unaudited)	
	RM’000	
Balance PPE at 1st April	44,383	49,356
Additions	122	947
Write offs	-	(2)
Disposal of a subsidiary	-	(576)
Depreciation and Amortization	(2,696)	(3,127)
PPE at 30th June	41,808	46,598

(9) Inventory Write Offs

There were no inventory write offs during the current quarter (Q2-FY14: 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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PART A

**SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 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 30.09.2014 (Unaudited) RM'000
- Authorised but not contracted	3,468
- Contracted but not provided	3,453

(15) Changes in Contingent Liabilities and Contingent Assets

	As at 30.09.2014 (Unaudited) RM'000
Contingent liability Corporate guarantees provided to financial institutions for credit facilities granted to subsidiaries	15,770

(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 SECOND QUARTER ENDED 30 SEPTEMBER 2014**

(17) Profit for the period

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		6 months ended	
		30th September			
		2014	2013	2014	2013
		(Unaudited)		(Unaudited)	
		RM'000			
(i)	Interest Income	-	2	-	3
(ii)	Other income including investment income	80	35	167	298
(iii)	Interest expense	(251)	(95)	(485)	(375)
(iv)	Depreciation and amortization	(1,366)	(1,559)	(2,696)	(3,127)
(v)	Reversal of provision / (Provision) for receivables / (Bad Debts written off)	18	180	51	253
(vi)	Decrease / (Increased) in Provision for slow moving inventories	(209)	92	204	-
(vii)	Gain/(loss) on disposal of quoted or unquoted investment or properties	-	-	31	1
(viii)	Write off/Impairment of assets	-	-	-	(2)
(ix)	Foreign exchange gain/(loss)	81	110	14	172
(x)	Loss on disposal of subsidiary	-	(1,803)	-	(1,803)

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

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DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2014

(18) Review of Current Quarter Performance

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	3 months ended		6 months ended	
	30th September			
	2014	2013	2014	2013
(Unaudited)		(Unaudited)		
RM'000				
Segment Revenue				
Continued operations:				
Manufacturing	16,426	13,228	33,277	27,784
Trading (Consumer Goods)	2,575	4,352	5,248	9,630
Sub-Total (Operating Entities)	19,001	17,580	38,525	37,414
Management services – (Note1)	319	329	637	675
Investment holding	-	-	-	-
Total revenue including inter-segment sales	19,321	17,909	39,162	38,089
Elimination of inter-segment transactions	(319)	(385)	(637)	(773)
Revenue from Continued operations	19,001	17,524	38,525	37,316
Discontinued operations:				
Manufacturing	-	1,387	-	2,952
Total Revenue	19,001	18,911	38,525	40,268
Segment Results				
Continued operations:				
Manufacturing	(38)	(753)	448	(930)
Trading (Consumer Goods)	(310)	(180)	(429)	(71)
Sub-Total (Operating Entities)	(348)	(933)	18	(1,001)
Management services	276	290	552	584
Investment holding	(29)	(313)	(296)	(566)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	(101)	(956)	275	(983)
Loss on disposal of a subsidiary		(1,803)	-	(1,803)
Elimination of inter-segment transactions	-	-	-	-
Profit Before Tax from Continued operations	(101)	(2,759)	275	(2,786)
Discontinued operations:				
Manufacturing	-	334	-	652
Profit/(Loss) Before Taxation	(101)	(2,425)	275	(2,134)

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

PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2014

Current Quarter vs Prior Year Same Quarter 3 months Comparison

(a) Revenue

The reported turnover increased by almost RM1.5 million (+8.4%) to RM19 million for the current quarter (Q2-FY13:RM17.5 million). However after adjusting for the Revenue Reduction from discontinued operations and business following the sale of a subsidiary and the termination of Abbott Wholesaler Agreement respectively in FY14, the Group's actual Revenue increment for the quarter is RM2.8 million (+17%). The positive movement in Revenue was attributed to the below factors:

(i) Manufacturing Division

This Division recorded a strong 24% increase in Revenue by RM3.2 million. Both the Plastic Parts and Tool Fabrication sub-segments contributed to this Revenue growth. For the Tool Fabrication sub-segment, the increase was mainly due to part of the Work-in-Progress as at 30th June 2014 being converted to Revenue in the current quarter.

(ii) Trading (Consumer Goods) Division

After adjusting for the effects of the Revenue Reduction following the termination of the Abbott Wholesaler Agreement, this Division's Revenue reduced by RM433,000 (-14%) for the current quarter. A major part of this Revenue reduction was due to the Hari Raya Sales for this year being recognised in the previous quarter (Q1-FY15) whilst the same festival sales were booked in Q2-FY14. The ongoing product rationalisation exercise is also a contributing factor.

(b) Profit/(Loss) Before Taxation

The higher Revenue and lower Cost of Sales contributed to increasing the Gross Margin to 9.9% for the current quarter (Q2-FY14: 8.5%). After adjusting for the effects of the discontinued operations and business as mentioned earlier totaling RM2.1 million, the Group managed to reduce its Loss Before Tax by RM855,000 to RM101,000 (Q2-FY14: Loss RM956,000).

(i) Manufacturing Division

This Division's Revenue growth and more effective production cost controls; particularly at its Tool Fabrication sub-segment, were the key factors contributing to the favourable RM715,000 reduction in its Loss Before Taxation to RM38,000 (Q2-FY14: Loss RM753,000).

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PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2014

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

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

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

After adjusting for the effects of the termination of the Abbott Wholesaler Agreement, this Division's Loss Before Taxation widened by RM63,000 to RM310,000 for the current quarter (Q2-FY14: Loss RM247,000). As this Division operates mainly on a fixed cost base (comprising the Sales, Marketing and Accounting personnel), the significant reduction in the Division's Revenue was insufficient to cover costs. In addition, higher Warehouse and Logistics costs were incurred as the Division delivers its products to more interstate locations.

(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. (Q2-FY14: Nil).

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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 B FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2014**

(19) Comparison with Immediate Preceding Quarter's Results

	INDIVIDUAL QUARTER	
	3 months ended	
	30.09.2014	30.06.2014
	(Unaudited)	
	RM'000	
<u>Segment Revenue</u>		
Manufacturing	16,426	16,852
Trading (Consumer Goods)	2,575	2,673
Sub-Total (Operating Entities)	19,001	19,525
Management services – Note 1	319	318
Investment holding	-	-
Total revenue including inter-segment sales	19,322	19,843
Elimination of inter-segment transactions	(319)	(318)
Total revenue	19,001	19,525
<u>Segment Results</u>		
Manufacturing	(38)	486
Trading (Consumer Goods)	(310)	(119)
Sub-Total (Operating Entities)	(348)	367
Management services	276	276
Investment holdings	(29)	(267)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	(101)	376
Elimination of inter-segment transactions	-	-
Profit/(Loss) before taxation	(101)	376

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 SECOND QUARTER ENDED 30 SEPTEMBER 2014

Current Quarter vs Previous Quarter 3 months comparison

(a) Revenue

The Group recorded a RM500,000 decrease in Revenue (-2.7%) for the current quarter to RM19 million (Q1-FY15: RM19.5 million). Both Operating Divisions reported lower Revenue.

(i) Manufacturing Division

This Division's Revenue decreased by RM400,000 (-2.5%) to RM16.4 million (Q1-FY15: RM16.8 million). As the Revenue generated by Plastic Parts sub segment was flat, the entire Revenue reduction of RM400,000 was due to lower Revenue at the Tooling sub segment.

(ii) Trading (Consumer Goods) Division

This Division recorded a minor reduction of RM98,000 (-4%) in Revenue to RM2.57 million (Q1-FY15: RM2.67 million) as the sales for the Hari Raya festival this year were booked in the previous quarter.

(b) Profit Before Taxation

The Group reported a Loss Before Taxation of RM101,000 for the current quarter (Q1-FY15: Profit - RM376,000). Both operating Divisions reported deteriorating performance.

(i) Manufacturing Division

This Division reported a RM486,000 profit in the previous quarter. However, this turned into a Loss Before Taxation of RM38,000 for the current quarter. The poorer performance was mainly attributed to the lower Gross Margin at the Plastic Part sub-segment due to lower production yields and efficiencies.

(ii) Trading (Consumer Goods) Division

This Division continues to develop new co-branded products for the local markets. Whilst the new products takes time to gain acceptance and traction in the market place, there was significant margin compression as promotional prices were offered and promotional costs were incurred to develop new distributors and markets. As a result, the Division's losses for the current quarter widened by RM191,000 (+161%) to RM310,000 (Q1-FY15: Loss RM119,000).

(iii) Investment Holding Division

The increase in the Profit Before Taxation at this Division by RM240,000 (+89%) was due to a RM253,000 reversal of Administration Expenses during the quarter.

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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 SECOND QUARTER ENDED 30 SEPTEMBER 2014**

(20) Current Year Prospects

Per TABLE 1 below, for YTD Q2-FY15, the Group's Revenue increased by 3.2% to RM38.5 million and recorded a Profit after Taxation of RM327,000 representing a favourable Profit turnaround of RM1.31 million (Q2-FY14: Loss RM983,000).

TABLE 1-Adjusted Profit / (Loss) After Taxation

	6 months to 30th Sep		
	2014	2013	Variance
	RM'000		
REVENUE	38,525	37,316	1,209
(Loss) / Profit After Taxation from Continuing Operations	327	(2,786)	3,113
Add: Loss on disposal of DIPC	-	1,803	(1,803)
	327	(983)	1,310

Maintaining the Group's profitability for full year FY15 will be a challenge. This is because the Group (particularly the Trading Division) will be adversely impacted by the Government's policy to rationalise the country's subsidy programs especially in respect of the current fuel tax subsidy. There is also looming in the near horizon, the possibility of an increase in the Minimum Wages as the review of the base amount is due by 31 December 2014. We await the Government's decision with anticipation as any significant increase will immediately increase the operating costs of the Manufacturing Division.

(i) Manufacturing Division

This Division currently has a healthy order and business pipeline. In anticipation of the further expansion of its business volume, this Division is preparing to instal more plastic parts manufacturing capacity at its Johor Bahru factory. Investment in systems and human resources are also being carried out in tandem with the planned increased in business volume. These investments will have an adverse impact on the Division's results in the short term.

There are strong enquiries for the Tool Fabrication plant being set up in Jakarta. As the subsidiary's commencement date has been delayed to Q4-FY15, we do not expect any significant contribution from this plant until Q3-FY16 at the earliest.

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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 SECOND QUARTER ENDED 30 SEPTEMBER 2014

(20) Current Year Prospects (continued)

(ii) Trading (Consumer Goods) Division

This Division has not performed in the first half of FY15. We are anticipating the Division to perform better in the second half on account of the following:

(a) the next 6 months are traditionally the peak sales period for the Division as it covers the Christmas, New Year and Chinese New Year celebratory festivals.

(b) based on the experience in other countries which has implemented a GST regime, we are expecting retail customers to stock up ahead of the 6% GST.

(c) the Division is launching several new products in Q3-FY15.

In summary, it is expected that several external events that are beyond the Management's control will continue to adversely impact on the Group's performance for the balance of FY15. Nevertheless, based on the strong business pipeline and various other initiatives that are being planned, the Board is hopeful that the Group will be able to mitigate the potential adverse effects of these external factors and build on the profits that have been achieved to-date.

(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 September		CUMULATIVE QUARTERS 6 months ended 30th September	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000		RM'000	
<u>Continuing Operations</u>				
In respect of current period				
-Malaysian income tax	-	-	52	-
-Deferred tax	-	-	-	-
	-	-	52	-
<u>Discontinued Operations</u>				
In respect of current period				
-Malaysian income tax	-	(2)	-	(82)
-Deferred tax	-	-	-	-
	-	(2)	52	(82)

(23) Status of Corporate Proposals

There were no Corporate Proposals in the current quarter.

PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2014

(24) Group Borrowings

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

Type of borrowing	Short term	Long term	Total
	Secured		
RM'000			
Bank Overdraft	704	-	704
Bills Payable and Bankers Acceptance	8,507	-	8,507
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	384	1,372	1,756
Term Loans	953	2,057	3,010
TOTAL	12,548	3,429	15,977

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	111	-	-	159	-	270
Repayment	-	(572)	-	(282)	(576)	(1,430)
As at end of period 30 September 2014	704	8,507	2,000	1,756	3,010	15,977

(25) Material Litigation

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

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DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART B

**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2014**

(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-Sep		CUMULATIVE QUARTERS 6 months ended 30-Sep	
		2014	2013	2014	2013
		(Unaudited)		(Unaudited)	
Profit / (loss) attributable to ordinary equity holders of the parent	RM	(101,053)	(2,389,000)	327,201	(2,216,000)
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	(0.10)	(2.29)	0.31	(2.12)

(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.

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

(29) Discontinued Operations

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

	INDIVIDUAL QUARTER 3 months ended 30th September		CUMULATIVE QUARTERS 6 months ended 30th September	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000	RM'000	RM'000	RM'000
Revenue	-	1,387	-	2,952
Cost Of Sales	-	(871)	-	(2,014)
Gross Profit	-	517	-	938
Other Income	-	135	-	328
Marketing and Distribution Costs	-	(152)	-	(298)
Administration Expenses	-	(161)	-	(313)
Other Operating Gains/(Expenses)	-	(3)	-	(3)
Profit/(Loss) From Operations	-	335	-	653
Finance Costs	-	-	-	-
Profit/(Loss) Before Tax	-	335	-	653
Taxation	-	(2)	-	(82)
Profit/ (Loss) Net of Tax for the period	-	333	-	570

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

	INDIVIDUAL QUARTER 3 months ended 30th Sep		CUMULATIVE QUARTER 6 months ended 30th Sep	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000	RM'000	RM'000	RM'000
(i) Interest Income	-	2	-	3
(ii) Other income including investment income	-	28	-	202
(iii) Interest expense	-	-	-	-
(iv) Depreciation and amortization	-	(45)	-	(88)
(v) Reversal of provision / (Provision) for receivables / (Bad Debts written off)	-	92	-	108
(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)	-	13	-	15

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PART B

**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2014**

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

	As at 30.09.2014 (Unaudited) RM'000
Total Accumulated Losses of the Group	
- Realised	6,530
- Unrealised	4,051
Total Group Accumulated Losses as per Consolidated Unaudited Financial Statements	10,581

(31) Authorised for Issue

These Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution passed on [17th November 2014].

BY ORDER OF THE BOARD

Woo Min Fong (MAICSA 0532413)

Wong Chee Yin (MAICSA 7023530)

Goh Anne (MIA 36898)

Company Secretaries