



DENKO INDUSTRIAL CORPORATION BERHAD

(190155-M)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
31 DECEMBER 2014**

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

INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 THIRD QUARTER ENDED 31 DECEMBER 2014

	INDIVIDUAL QUARTER 3 months ended 31st December		CUMULATIVE QUARTERS 9 months ended 31st December	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000	RM'000	RM'000	RM'000
Revenue	18,794	20,145	57,319	57,460
Cost Of Sales	(16,105)	(18,164)	(49,894)	(52,038)
Gross Profit	2,690	1,981	7,426	5,422
Other Income	213	(11)	532	436
Marketing and Distribution Costs	(1,150)	(854)	(3,047)	(2,451)
Administration Expenses	(1,287)	(1,437)	(3,630)	(3,944)
Other Operating Gains/(Expenses)	(11)	6	(66)	(387)
Profit/(Loss) From Operations	454	(315)	1,214	(925)
Finance Costs	(260)	(249)	(745)	(623)
Loss on disposal of an subsidiary	-	-	-	(1,803)
Profit/(Loss) Before Tax	194	(564)	469	(3,351)
Taxation	(253)	(112)	(201)	(113)
Profit/ (Loss) from Continuing Operation, Net of Tax for the period	(58)	(676)	269	(3,463)
<u>Discontinued Operation</u>				
Profit/ (Loss) from Discontinuing Operation, Net of Tax for the period	-	-	-	570
Profit/ (Loss) Net of Tax for the period	(58)	(676)	269	(2,893)
Other comprehensive income for the period	-	-	-	-
Foreign Currency Translation	7	-	7	-
Total comprehensive income / (loss) attributable to equity holders of the parent	(51)	(676)	276	(2,893)
Basic, profit/(loss) per ordinary share (sen)	(0.05)	(0.65)	0.26	(2.77)
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
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2014

	Note	As at 31.12.2014 (Unaudited)	As at 31.03.2014 (Audited)
RM'000			
ASSETS			
Non-current assets			
Property, plant and equipment	9	40,716	44,383
Current assets			
Inventories		15,644	12,447
Trade and other receivables		18,305	16,142
Current tax asset		270	1,272
Cash and bank balances		461	378
Total current assets		34,680	30,239
TOTAL ASSETS		75,396	74,622
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		41,788	41,788
Reserves		5,428	5,421
Accumulated losses		(10,639)	(10,908)
Total Equity		36,577	36,301
Non current liabilities			
Long term borrowings	25	2,952	3,796
Trade payables and Other payables		1,709	1,413
Deferred tax liabilities		4,107	4,107
Total non-current liabilities		8,768	9,316
Current Liabilities			
Trade and other payables		16,844	15,665
Current Tax Liabilities		-	-
Short term borrowings	25	13,207	13,340
Total current liabilities		30,051	29,005
TOTAL LIABILITIES		38,819	38,321
TOTAL EQUITY AND LIABILITIES		75,396	74,622
Net assets per share attributable to equity holders of the parents (RM)		0.3501	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 THIRD QUARTER ENDED 31 DECEMBER 2014

	Attributable to equity holders of the parent					
	----- Non-distributable -----					
	Share Capital	Share Premium	Revaluation Reserves	Foreign Exchange Translation Reserves	Accumulated Losses	Total
	RM'000					
At 1 APRIL 2014	41,788	1,566	3,855	-	(10,908)	36,301
Other comprehensive income/(expenses) for the period						
Foreign Currency Translation				7		7
Total comprehensive Income for the period	-	-	-		269	269
At 31 DECEMBER 2014	41,788	1,566	3,855	7	(10,639)	36,577
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 31 DECEMBER 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 THIRD QUARTER ENDED 31 DECEMBER 2014

	9 months to	
	31.12.2014	31.12.2013
	(Unaudited)	
Note	RM'000	
1. Cash flow from operating activities		
Profit (loss) before tax from continuing operation	469	(3,350)
Profit (loss) before tax from discontinuing operation	-	652
	469	(2,698)
<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	(14)	(232)
Bad debts written off	-	20
Depreciation	3,970	4,566
Loss on disposal of a subsidiary company	-	1,803
Gain on disposal of property, plant and equipment	(28)	(1)
Property, plant and equipment written off	-	2
Interest expense	745	623
Interest income	-	(3)
Increase/(decrease) in provision for slow moving stocks	42	166
Unrealised (gain)/loss on foreign exchange	(198)	12
	4,986	4,258
Operating profit before working capital changes		
Net change in inventories	(3,239)	(3,475)
Net change in trade and other receivables	(2,148)	(1,827)
Net change in trade and other payables	521	7,961
Net change in amount due to directors	1,151	(529)
	1,271	6,388
Cash generated from operations		
Interest paid	(450)	(437)
Income tax paid	(212)	(80)
Income tax refund	1,013	93
	1,622	5,964
Net cash from 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 THIRD QUARTER ENDED 31 DECEMBER 2014

	Note	9 months to	
		31.12.2014	31.12.2013
		(Unaudited)	
		RM'000	
2. Cash flow from investing activities			
Purchase of fixed assets		(308)	(643)
Revaluation reserve		7	-
Interest received		-	3
Proceeds from disposal of fixed assets		32	1
Deconsolidation of a subsidiary company		-	(1,236)
Net cash (used in) / from investing activities		(269)	(1,875)
3. Cash flow from financing activities			
(Repayment)/Increase in short term borrowings		258	(2,979)
Repayment of term loans		(807)	(993)
Repayment of hire purchase creditors		(449)	(376)
Drawdown of hire purchase creditors		159	-
Interest paid		(295)	(186)
Net cash used in financing activities		(1,134)	(4,534)
Net increase/(decrease) in cash and cash equivalents		220	(445)
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 31st December*		5	967
<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		461	967
Bank overdrafts	25	(455)	-
Less: Fixed deposits pledged to licensed banks		5	967
		-	-
		5	967
<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		5	967
<u>Discontinued Operations:</u>			
Fixed deposits with licensed banks		-	-
Cash and bank balances		-	-
		5	967

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)
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PART A
SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134
FOR THE THIRD QUARTER ENDED 31 DECEMBER 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.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART A

**SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134
FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 Group's Indonesian subsidiary ("PTWSP") was established to fabricate tooling and manufacture of plastic parts. PTWSP commenced commercial operations in the current quarter.

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

Other than the initial start-up losses incurred by PTWSP, there were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

(6) Nature and Amount of Changes in Estimates

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

(7) Comments about Seasonal or Cyclical Factors

Other than the Trading (Consumer Goods) Division where sales peaks in the 3rd quarter or 4th quarter of each financial year (depending on when Chinese New Year is celebrated in each calendar year) 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 THIRD QUARTER ENDED 31 DECEMBER 2014

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

	9 months ended	
	31st December	
	2014	2013
	(Unaudited)	
	RM'000	
Balance PPE at 1st April	44,383	49,356
Additions	308	947
Disposals	(4)	-
Write offs	-	(2)
Disposal of a subsidiary	-	(576)
Depreciation and Amortization	(3,970)	(3,127)
PPE at 31st December	40,716	46,598

(9) Inventory Write Offs

There were no inventory write offs during the current quarter (Q3-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 THIRD QUARTER ENDED 31 DECEMBER 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 31.12.2014 (Unaudited) RM'000
- Authorised but not contracted	3,294
- Contracted but not provided	3,495

(15) Changes in Contingent Liabilities and Contingent Assets

	As at 31.12.2014 (Unaudited) RM'000
Contingent liability Corporate guarantees provided to financial institutions for credit facilities granted to subsidiaries	15,992

(16) Material Subsequent Events

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

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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 THIRD QUARTER ENDED 31 DECEMBER 2014

(17) Profit for the period

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		9 months ended	
		31 December			
		2014	2013	2014	2013
		(Unaudited)		(Unaudited)	
		RM'000			
(i)	Interest Income	-	-	-	3
(ii)	Other income including investment income	55	84	222	383
(iii)	Interest expense	(259)	(247)	(745)	(623)
(iv)	Depreciation and amortization	(1,274)	(1,439)	(3,970)	(4,566)
(v)	Reversal of provision / (Provision) for receivables / (Bad Debts written off)	(37)	(41)	14	212
(vi)	Decrease / (Increased) in Provision for slow moving inventories	(245)	(166)	(42)	(166)
(vii)	Gain/(loss) on disposal of quoted or unquoted investment or properties	(3)	-	28	1
(viii)	Write off/Impairment of assets	-	-	-	(2)
(ix)	Foreign exchange gain/(loss)	188	(38)	202	134
(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 THIRD QUARTER ENDED 31 DECEMBER 2014

(18) Review of Current Quarter Performance

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	3 months ended		9 months ended	
	31st December			
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000			
Segment Revenue				
Continued operations:				
Manufacturing	17,056	16,738	50,333	44,522
Trading (Consumer Goods)	1,738	3,407	6,986	13,037
Sub-Total (Operating Entities)	18,794	20,145	57,319	57,559
Management services – (Note1)	313	374	950	1,049
Investment holding	-	920	-	920
Total revenue including inter-segment sales	19,107	21,439	58,269	59,528
Elimination of inter-segment transactions	(313)	(1,294)	(950)	(2,068)
Revenue from Continued operations	18,794	20,145	57,319	57,460
Discontinued operations:				
Manufacturing	-	-	-	2,952
Total Revenue	18,794	20,145	57,319	60,412
Segment Results				
Continued operations:				
Manufacturing	350	(655)	798	(1,585)
Trading (Consumer Goods)	(146)	49	(575)	(22)
Sub-Total (Operating Entities)	205	(606)	224	(1,607)
Management services	269	337	821	921
Investment holding	(280)	625	(576)	58
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	194	356	469	(628)
Loss on disposal of a subsidiary	-	-	-	(1,803)
Elimination of inter-segment transactions	-	(920)	-	(920)
Profit Before Tax from Continued operations	194	(564)	469	(3,351)
Discontinued operations:				
Manufacturing	-	-	-	652
Profit/(Loss) Before Taxation	194	(564)	469	(2,699)

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 THIRD QUARTER ENDED 31 DECEMBER 2014

Current Quarter vs Prior Year Same Quarter 3 months Comparison

(a) Revenue

The Group reported a RM1.3 million (-6%) reduction in Revenue for the current quarter under review to RM18.8 million (Q3-FY14: RM20.1 million).

The Revenue reduction was mainly at the Trading Division (-RM1.6 million) which was partly offset by a small increase in Revenue at the Manufacturing Division (+RM0.3million).

(i) Manufacturing Division

The Plastic Parts Sub Segment registered strong Revenue growth of RM1.7 million (+12.5%) to RM15.3 million (Q3-FY14: RM13.6 million). However, this positive contribution was adversely impacted by a RM1.4 million reduction in Revenue from the Tooling Sub Segment. The net effect is minimal Revenue growth for the Manufacturing Division.

(ii) Trading (Consumer Goods) Division

Revenue from this Division reduced substantially by almost RM1.7 million (-49%) to RM1.7million (Q3-FY14: RM3.4 million). This substantial reduction is due to the Chinese New Year (CNY) effect referred to in Note 7 above.

CNY 2014 was celebrated in January 2014. As the deliveries to customers were completed in December 2013, the seasonally high CNY sales were recorded in Q3-FY14. However, CNY 2015 was celebrated in February 2015. The deliveries to customers were completed in January 2015. The sales will therefore be recorded in the next quarter (ie Q4-FY15).

(b) Profit/(Loss) Before Taxation

The Group returned to profits in the current quarter registering a Profit Before Taxation of RM194,000 (Q3-FY14: Loss RM564,000); a positive turnaround of RM758,000. The better performance was entirely contributed by the Manufacturing Division. The Trading Division recorded higher losses due to its lower Revenue in the current quarter.

(i) Manufacturing Division

This Division achieved a RM1 million positive turnaround in its Profit Before Taxation to RM350,000 (Q3-FY14: Loss RM655,000) in the current quarter.

The Plastic Parts Sub Segment was the key driver for the improved performance at this Division. Improved production efficiencies and production cost controls both contributed to increasing this Sub-Segment's Gross Margin. However, the Division's overall results were adversely affected by the small loss incurred by the Tooling Sub Segment and the RM283,000 in start up losses incurred by PTWSP in Indonesia.

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

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

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

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

This Division recorded a Profit Before Taxation of RM49,000 for the same quarter last year. However, for the current quarter, this has turned into a Loss Before Taxation of RM146,000.

This is an expected result due to the timing difference in booking the CNY 2015 sales as mentioned earlier. The residual quarterly sales were just not sufficient to cover the fixed monthly costs of this Division.

(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. (Q3-FY14: RM920,000).

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DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF B FOR THE THIRD QUARTER ENDED 31 DECEMBER 2014

(19) Comparison with Immediate Preceding Quarter's Results

	INDIVIDUAL QUARTER	
	3 months ended	
	31.12.2014	30.09.2014
	(Unaudited)	
	RM'000	
<u>Segment Revenue</u>		
Manufacturing	17,056	16,426
Trading (Consumer Goods)	1,738	2,575
Sub-Total (Operating Entities)	18,794	19,001
Management services – Note 1	313	319
Investment holding	-	-
Total revenue including inter-segment sales	19,108	19,320
Elimination of inter-segment transactions	(313)	(319)
Total revenue	18,794	19,001
<u>Segment Results</u>		
Manufacturing	350	(38)
Trading (Consumer Goods)	(146)	(310)
Sub-Total (Operating Entities)	205	(348)
Management services	269	276
Investment holdings	(280)	(29)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	194	(101)
Elimination of inter-segment transactions	-	-
Profit/(Loss) before taxation	194	(101)

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 THIRD QUARTER ENDED 31 DECEMBER 2014

Current Quarter vs Previous Quarter 3 months comparison

(a) **Revenue**

The Group recorded a RM206,000 marginal decrease in Revenue (-1%) for the current quarter to RM18.8 million (Q1-FY15: RM19 million). This was mainly due to the combination of the following:

(i) **Manufacturing Division**

This Division's Revenue increased by RM631,000 (+4%) to RM17 million (Q2-FY15: RM16.4 million). The Plastic Parts Sub Segment was the main contributor recording a RM2.2 million (+17%) increase in Revenue. However, this better performance was offset by the RM1.6 million Revenue reduction (-49%) by the Tooling Sub Segment.

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

This Division recorded a significant reduction of RM837,000 (-33%) in Revenue to RM1.7 million (Q2-FY15: RM2.6 million) as a result of Chinese New Year effect whereby sales for the CNY festival 2015 will be recognized in the subsequent quarter; Q4-FY15.

(b) **Profit Before Taxation**

In the current quarter, the Group returned to profits registering a positive turnaround in its Profit Before Taxation by RM295,000 to RM194,000 (Q2-FY15: Loss RM101,000). This is due to better performance at the Manufacturing Division and lower losses at the Trading Division.

(i) **Manufacturing Division**

This Division reversed a RM38,000 LOSS in the previous quarter to a Profit Before Taxation of RM350,000 in the current quarter. The results of the current quarter is after the RM283,000 start-up losses incurred by the Indonesian subsidiary; PTWSP. If this amount were excluded, the underlying performance of this Division's Malaysian operations is a Profit Before Taxation of RM633,000 due to:

- a) Improved Gross Margin at the Plastic Parts Sub Segment due to improved production efficiencies and production cost controls;
- b) The better performance at the Plastic Parts Sub Segment was adversely impacted by the losses in the Tooling Sub Segment owing to the reduction of its Revenue by almost 50% when compared to the previous quarter.

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

The Division's losses for the current quarter narrowed by RM164,000 to RM146,000 (Q2-FY15: Loss RM310,000). This is partly due to a price increase instituted by the Division with effect from 1 October 2014 with the balance gains stemming from improved stock control.

(iii) **Investment Holding Division**

In the previous quarter, this Division booked a one-off reversal of Administration Expenses amounting to RM253,000 thereby reducing the Q2-FY15 losses to RM29,000. As there was no such adjustment in the current quarter its Loss Before Taxation widened to RM280,000.

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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 THIRD QUARTER ENDED 31 DECEMBER 2014

(20) Current Year Prospects

Per TABLE 1 below, for YTD Q3-FY15, the Group's Revenue was flat and recorded an adjusted Profit after Taxation of RM269,000 representing a favourable Profit turnaround of RM1.9 million (Q3-FY14: Loss RM1.66 million).

TABLE 1-Adjusted Profit / (Loss) After Taxation

	9 months to 31st December		
	2014	2013	Variance
	RM'000		
REVENUE	57,319	57,460	(141)
(Loss) / Profit After Taxation from Continuing Operations	269	(3,463)	3,732
Add: Loss on disposal of DIPC	-	1,803	(1,803)
Adjusted Profit After Taxation	269	(1,660)	1,929

The Group is making a slow but steady progress in its efforts to return to profitability for FY2015. The Manufacturing Division is leading the path to recovery while the Trading Division is still not on the same trajectory. Recent significant reduction in world crude oil prices is a bonus to every energy consumer. However, the Group will not see any significant cost reduction from this bonus until the national utility company reduces its electricity tariffs.

(i) Manufacturing Division

The Plastic Parts Sub Segment is steadily adding new customers to its portfolio. Coupled with a healthy business pipeline we expect this Sub Segment to continue with its Revenue growth into the next quarter. Management is reviewing the Business Strategy for the Tooling Sub Segment which now encompasses the operations of PTWSP in Indonesia. The objective is to spread this Sub Segment's business over a full year instead of experiencing peaks and troughs over the year.

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OF BURSA MALAYSIA FOR THE THIRD QUARTER ENDED 31 DECEMBER 2014

(20) **Current Year Prospects** (continued)

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

The recent significant depreciation of Ringgit Malaysia against all other currencies particularly the United States Dollar will adversely impact on the Trading Division's business as a large portion of its stock are imported and are priced in United States Dollar. The ability of the Division to pass on the additional costs to the consumers is limited in view of the low current consumer sentiments and confidence in Malaysia.

Even though this Division's CNY 2015 Revenue will be booked in Q4-FY15, it is unlikely that this will be sufficient to offset its YTD losses of RMRM575,000.

In summary, the 2 Divisions of the Group are experiencing mixed and opposing fortunes. The Board expects the Manufacturing Division to end the Financial Year on a positive note while the Trading Division is expected to be in a loss situation.

(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 31st December		CUMULATIVE QUARTERS 9 months ended 31st December	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000		RM'000	
<u>Continuing Operations</u>				
In respect of current period				
-Malaysian income tax	(253)	(112)	(201)	(112)
-Deferred tax	-	-	-	-
	(253)	(112)	(201)	(112)
<u>Discontinued Operations</u>				
In respect of current period				
-Malaysian income tax	-	-	-	(82)
-Deferred tax	-	-	-	-
	(253)	(112)	(201)	(194)

(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 THIRD QUARTER ENDED 31 DECEMBER 2014

(24) Group Borrowings

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

Type of borrowing	Short term	Long term	Total
	Secured		
	RM'000		
Bank Overdraft	456	-	456
Bills Payable and Bankers Acceptance	9,337	-	9,337
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	360	1,228	1,588
Term Loans	1,054	1,724	2,778
TOTAL	13,207	2,952	16,159

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	(137)	258	-	159	-	280
Repayment	-	-	-	(450)	(808)	(1,258)
As at end of period 31 December 2014	456	9,337	2,000	1,588	2,778	16,159

(25) Material Litigation

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

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PART B
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OF BURSA MALAYSIA FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 31-Dec		CUMULATIVE QUARTERS 9 months ended 31-Dec	
		2014	2013	2014	2013
		(Unaudited)		(Unaudited)	
Profit / (loss) attributable to ordinary equity holders of the parent	RM	(51,145)	(676,000)	275,855	(2,893,000)
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	(0.05)	(0.65)	0.26	(2.77)

(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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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 THIRD QUARTER ENDED 31 DECEMBER 2014

(29) Discontinued Operations

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

	INDIVIDUAL QUARTER 3 months ended 31st December		CUMULATIVE QUARTERS 9 months ended 31st December	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	2,952
Cost Of Sales	-	-	-	(2,014)
Gross Profit	-	-	-	938
Other Income	-	-	-	328
Marketing and Distribution Costs	-	-	-	(298)
Administration Expenses	-	-	-	(313)
Other Operating Gains/(Expenses)	-	-	-	(3)
Profit/(Loss) From Operations	-	-	-	653
Finance Costs	-	-	-	-
Profit/(Loss) Before Tax	-	-	-	653
Taxation	-	-	-	(82)
Profit/ (Loss) Net of Tax for the period	-	-	-	570

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

	INDIVIDUAL QUARTER 3 months ended 31st December		CUMULATIVE QUARTER 9 months ended 31st December	
	2014	2013	2014	2013
	(Unaudited)		(Unaudited)	
	RM'000	RM'000	RM'000	RM'000
(i) Interest Income	-	-	-	3
(ii) Other income including investment income	-	-	-	202
(iii) Interest expense	-	-	-	-
(iv) Depreciation and amortization	-	-	-	(88)
(v) Reversal of provision / (Provision) for receivables / (Bad Debts written off)	-	-	-	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)	-	-	-	15

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 THIRD QUARTER ENDED 31 DECEMBER 2014

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

	As at 31.12.2014 (Unaudited) RM'000
Total Accumulated Losses of the Group	
- Realised	6,737
- Unrealised	3,902
Total Group Accumulated Losses as per Consolidated Unaudited Financial Statements	10,639

(31) Authorised for Issue

These Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 25th February 2015.

BY ORDER OF THE BOARD

Woo Min Fong (MAICSA 0532413)

Wong Chee Yin (MAICSA 7023530)

Goh Anne (MIA 36898)

Company Secretaries