



DENKO INDUSTRIAL CORPORATION BERHAD

(190155-M)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
31 DECEMBER 2016**

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

INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016

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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 2016**

	INDIVIDUAL QUARTER 3 months ended 31st December		CUMULATIVE QUARTER 9 months ended 31st December	
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	
	RM'000	RM'000	RM'000	RM'000
Revenue	24,330	24,740	71,036	68,994
Cost Of Sales	(21,270)	(19,668)	(63,042)	(57,445)
Gross Profit	3,060	5,072	7,994	11,549
Other Income	(6)	47	3,256	1,268
Marketing and Distribution Costs	(1,257)	(1,175)	(3,503)	(3,625)
Administration Expenses	(2,100)	(2,468)	(5,593)	(6,081)
Other Operating Expenses	216	2	(1,258)	(265)
Profit From Operations	(87)	1,478	896	2,846
Finance Costs	(286)	(237)	(803)	(712)
Profit Before Tax	(373)	1,241	93	2,134
Taxation	(118)	(408)	(142)	(328)
Profit / (Loss) net of Tax for the period	(491)	833	(49)	1,806
Other comprehensive income / (expenses), net of tax				
Foreign Currency Translation Differences	35	(24)	(99)	(59)
Total comprehensive income for the period, net of tax	(456)	809	(148)	1,747
Profit / (Loss) per ordinary share attributable to equity holders of the parent	(491)	833	(49)	1,806
Total comprehensive income attributable to equity holders of the parent	(456)	809	(148)	1,747
Basic, profit per ordinary share (sen)	(0.47)	0.80	(0.05)	1.73
Fully diluted profit 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 2016 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 THIRD QUARTER ENDED 31 DECEMBER 2016

	Note	As at 31.12.2016 (Unaudited)	As at 31.03.2016 (Audited)
RM'000			
ASSETS			
Non-current assets			
Property, plant and equipment	8	55,624	52,074
Current assets			
Inventories		22,343	18,860
Trade and other receivables		31,425	24,503
Current tax asset		378	139
Cash and bank balances		2,917	4,607
Current assets classified as held for sale		-	5,500
Total current assets		57,063	53,609
TOTAL ASSETS		112,687	105,683
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		41,788	41,788
Reserves		16,638	19,606
Accumulated losses		(2,257)	(5,077)
Total Equity		56,169	56,317
Non current liabilities			
Long term borrowings	24	7,013	5,533
Deferred tax liabilities		4,624	4,671
Total non-current liabilities		11,637	10,204
Current Liabilities			
Trade and other payables		30,193	23,922
Current Tax Liabilities		-	183
Amount owing to Directors		501	4,808
Short term borrowings	24	14,187	10,249
Total current liabilities		44,881	39,162
TOTAL LIABILITIES		56,518	49,366
TOTAL EQUITY AND LIABILITIES		112,687	105,683
Net assets per share attributable to equity holders of the parents (RM)		0.5377	0.5391

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2016 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 2016

	Attributable to equity holders of the parent					
	----- Non-distributable -----					
	Share Capital	Share Premium	Revaluation Reserves	Translation Reserves	Accumulated Losses	Total
	RM'000					
At 1 APRIL 2016	41,788	1,566	17,959	81	(5,077)	56,317
Profit after tax for the period	-	-	-	-	(49)	(49)
Other comprehensive income for the period						-
- Foreign currency translation	-	-	-	(99)	-	(99)
Total comprehensive Income for the period	-	-	-	(99)	(49)	(148)
Transfer to accumulated losses	-	-	(2,869)	-	2,869	-
At 31 DECEMBER 2016	41,788	1,566	15,090	(18)	(2,257)	56,169

At 1 APRIL 2015	41,788	1,566	17,959	(3)	(8,063)	53,247
Profit after tax for the period	-	-	-	-	1,805	1,805
Other comprehensive income for the period						-
- Foreign currency translation	-	-	-	160	-	160
Total comprehensive income for the period	-	-	-	160	1,805	1,965
At 31 DECEMBER 2015	41,788	1,566	17,959	157	(6,258)	55,212

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2016 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 2016

	Note	9 months to	
		31.12.2016	31.12.2015
		(Unaudited)	
		RM'000	
1. Cash flow from operating activities			
Profit /(Loss) before tax		93	2,133
<i>Adjustment for investing and financing items not involving movement of cash and cash equivalent</i>			
Reversal of impairment losses on trade receivables		(105)	(243)
Bad debts written off		-	243
Depreciation		3,439	3,220
Gain on disposal of property, plant and equipment		(1,965)	(42)
Property, plant and equipment written off		14	-
Interest expense		803	713
Interest income		-	(10)
Increase / (Decrease) in provision for slow moving stocks		(1,308)	819
Unrealised (gain) / loss on foreign exchange		(596)	60
Operating profit before working capital changes		375	6,893
Net change in inventories		(2,175)	(4,574)
Net change in trade and other receivables		(6,818)	(5,618)
Net change in trade and other payables		6,819	7,400
Cash generated (used in)/ from operations		(1,799)	4,101
Interest paid		(480)	(443)
Income tax paid		(564)	(488)
Income tax refund		-	372
Net cash (used in)/from operating activities		(2,843)	3,542

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2016 and the accompanying explanatory notes attached to this Interim Financial Statements.

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DENKO INDUSTRIAL CORPORATION BERHAD (Company No.: 190155-M)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016

	Note	9 months to	
		31.12.2016	31.12.2015
		(Unaudited)	
		RM'000	
2. Cash flow from investing activities			
Purchase of property, plant and equipment		(7,396)	(1,642)
Interest received		0	10
Proceeds from disposal of property, plant and equipment		7,859	42
Net cash from / (used in) investing activities		463	(1,590)
3. Cash flow from financing activities			
Net change in amount due to directors		(4,306)	(735)
Drawdown/(Repayment) of banker acceptance		1,389	(1,138)
Repayment of term loans		(334)	(4,545)
Drawdown of term loan		-	4,900
Repayment of hire purchase creditors		(669)	(516)
Drawdown of hire purchase creditors		4,474	300
Interest paid		(323)	(270)
Net cash used in financing activities		231	(2,004)
Net decrease in cash and cash equivalents		(2,149)	(52)
Cash and cash equivalents as at beginning of financial period 1st April		4,607	1,821
Effect on foreign exchange translation		(99)	-
Cash and cash equivalents as at end of financial period 31st Dec*		2,359	1,769
<i>*Cash and cash equivalents at the end of the financial period comprise the following:</i>			
Cash and bank balances		2,917	2,319
Bank overdrafts		(558)	(550)
		2,359	1,769

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2016 and the accompanying explanatory notes attached to this Interim Financial Statements.

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DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART A

**SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARDS (MFRSs) 134**

FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016

(1) Basis of Preparation

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

MFRSs (Including The Consequential Amendments)

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions

Annual Improvements to MFRSs 2010 – 2012 Cycle

Annual Improvements to MFRSs 2011 – 2013 Cycle

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

The Group has not applied in advance the following accounting standards (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 (Including The Consequential Amendments)

Effective Date

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

01 January 2018

MFRS 16 Leases

01 January 2019

Amendments to MFRS 107: Disclosure Initiative

01 January 2017

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

01 January 2017

The adoption of the above accounting standards (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

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PART A

SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRSs) 134

FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016

(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 2016.

(3) Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report on the Audited Financial Statements for the year ended 31 March 2016 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

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.

Revenue and Results by Geographical Segments were as follows:

Q3-FY17	Malaysia	Indonesia	Elimination	Consolidated
	RM'000			
Revenue				
Sales to external customer	23,106	1,224	-	24,330
Inter-segment sales	9	-	(9)	-
	<u>23,115</u>	<u>1,224</u>	<u>(9)</u>	<u>24,330</u>
Segment results	380	(467)	-	(87)
Finance Cost				(286)
Profit / (Loss) Before Tax				<u>(373)</u>
Q2-FY17	Malaysia	Indonesia	Elimination	Consolidated
	RM'000			
Revenue				
Sales to external customer	21,922	781	-	22,703
Inter-segment sales	90	-	(90)	-
	<u>22,012</u>	<u>781</u>	<u>(90)</u>	<u>22,703</u>
Segment results	556	(277)	-	279
Finance Cost				(273)
Profit Before Tax				<u>6</u>

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART A
SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS
(MFRSs) 134
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016

(4) Segmental Reporting (Continued)

Q3-FY16	Malaysia	Indonesia	Elimination	Consolidated
	RM'000			
Revenue				
Sales to external customer	24,740	-	-	24,740
Inter-segment sales	-	-	-	-
	24,740	-	-	24,740
Segment results	1,513	(35)	-	1,478
Finance Cost				(237)
Profit Before Tax				1,241

(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 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 MALAYSIAN FINANCIAL REPORTING STANDARDS
(MFRSs) 134
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016**

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

	9 months ended 31st December	
	2016	2015
	(Unaudited)	
	RM'000	
PPE at 1st April	52,074	54,282
Asset held for sale as at 1st April	5,500	-
Additions	7,396	1,642
Disposals	(5,893)	-
Written off	(14)	-
Depreciation and Amortization	(3,439)	(3,220)
PPE at 31st December	55,624	52,704

(9) Inventory Write Offs

There was no inventory write off during the current quarter. (Q3-FY16: 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 2016.

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PART A

SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRSS) 134 FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016

(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 31.12.2016 (Unaudited) RM'000
- Authorised but not contracted	-
- Contracted but not provided	350

(15) Changes in Contingent Liabilities and Contingent Assets

	As at 31.12.2016 (Unaudited) RM'000
Contingent liability	
Corporate guarantees provided to financial institutions for credit facilities granted to subsidiaries	21,007

(16) Material Subsequent Events

The Board had on 2 February 2017 received a conditional voluntary take-over offer served by Public Investment Bank Berhad ("PIVB") on behalf of Oregon Technology Sdn Bhd (Offeror) to acquire all the remaining ordinary Shares in Denko Industrial Corporation Berhad not already held by the Offeror at RM0.55 per share.

On 17 February 2017, PIVB had, on behalf the offeror, served a Notice of the Revised Offer Price on the Board informing the following:

- (i) the offer price for the Offer Shares has been revised from RM0.55 to RM0.60 per Offer Share; and
- (ii) the shareholding of the offeror in Denko has exceeded 33% of the issued and paid up share capital of Denko as at 4.00 p.m. on even date as a result of a series of acquisitions of Denko Shares by the Offeror from 2 February 2017, being the date of the Initial Notice up to 17 February 2017. Pursuant thereto, the Offeror has triggered the mandatory take-over offer obligation under Paragraph 4.01(a) of the Rules.

In view of the above, the voluntary take-over offer on Denko has become a mandatory take-over in accordance to Note 14, Paragraph 4.01 of the Rules.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART A

SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRSs) 134
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016

(17) Profit for the period

		INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		3 months ended		9 months ended	
		31st December			
		2016	2015	2016	2015
		(Unaudited)		(Unaudited)	(Audited)
		RM'000			
(i)	Interest Income	0	10	0	10
(ii)	Other income including investment income	29	334	150	609
(iii)	Interest expense	(285)	(237)	(803)	(713)
(iv)	Depreciation	(1,166)	(1,060)	(3,439)	(3,220)
(v)	(Provision) / Reversal of provision for receivables / (Bad Debts written off)	-	-	105	1
(vi)	Decrease/(Increase) in Provision for slow moving inventories and Stocks written off	1,182	(389)	1,308	(819)
(vii)	(Loss) / Gain on disposal of quoted or unquoted investment or properties	16	-	1,965	42
(viii)	Write off/Impairment of assets	(14)	-	(14)	-
(ix)	Foreign exchange gain/ (Loss)	184	(196)	827	278

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 2016**

(18) Review of Current Quarter Performance

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTERS 9 months ended	
	31st December			
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	(Audited)
Segment Revenue	RM'000			
Manufacturing	22,072	23,505	65,953	64,707
Trading (Consumer Goods)	2,267	1,235	5,182	4,337
Sub-Total (Operating Entities)	24,339	24,740	71,135	69,044
Management services – (Note1)	-	-	-	-
Investment holding	-	-	2,800	-
Total revenue including inter-segment sales	24,339	24,740	73,935	69,044
Elimination of inter-segment transactions	(9)	-	(2,899)	(50)
Total Revenue	24,330	24,740	71,036	68,994
Segment Results				
Manufacturing	(392)	1,678	(223)	3,199
Trading (Consumer Goods)	187	(276)	760	(669)
Sub-Total (Operating Entities)	(205)	1,402	537	2,530
Management services	(2)	(1)	(8)	(9)
Investment holding	(147)	(160)	2,392	(387)
Total Profit before taxation including inter-segment Profit/(Loss)	(354)	1,241	2,921	2,134
Elimination of inter-segment transactions	(19)	-	(2,828)	-
Profit /(Loss) Before Taxation	(373)	1,241	93	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 THIRD QUARTER ENDED 31 DECEMBER 2016

Current Quarter vs Prior Year Same Quarter Comparison

(a) Revenue

The Group's revenue decreased by RM410,000 (-1.6%) in the current quarter under review to RM24.3 million (Q3-FY16: RM24.7 million). The reduction in Revenue were due to the factors as below:

(i) Manufacturing Division

During the current quarter, the Revenue in this Division recorded a decrease of RM1.4 million (-6%) to RM22.1 million (Q3-FY16: RM23.5 million).

The adverse variance in Revenue was mainly due to lower sales in both Plastic Parts and Tooling Sub Segment generated by the subsidiary in Malaysia. A Revenue reduction of RM900,000 each recorded for Plastic Parts and Tooling Sub Segments resulted in Revenue from Plastic Parts and Tooling Sub Segment decreased to RM18.2 million (Q3-FY16: RM19.1 million) and RM3.4 million (Q3-FY16: RM4.3) respectively.

These adverse variances were off set by Revenue contributed by the subsidiary in Indonesia amounted RM400,000 in the current quarter (Q3-FY16: Nil).

(ii) Trading (Consumer Goods) Division

The decreased Revenue in Manufacturing Division was off set by Revenue increase in Trading (Consumer Goods) Division. This Division recorded an increase of RM1 million (+84%) in Revenue to RM2.2 million (Q3-FY16: RM1.2 million) due to higher orders for Chinese New Year 2017 and launch of new product range.

(b) Profit/(Loss) Before Taxation

During the current quarter, the Group had registered a drop in its Profit Before Tax of RM1.6 million (-130 %) to Loss Before Tax of approximately RM373,000 (Q3-FY16: RM1.2 million). The adverse variances in Profit Before Tax were due to the following reasons:

(i) Manufacturing Division

During the current quarter, this Division suffered a huge reduction in Profit Before Tax of RM2.1 million (-123%) to record a Loss Before Tax of RM400,000 (Q3-FY16: RM1.7 million), mainly due to lower output in Tooling Sub Segment, further coupled with higher material consumption and operating cost in this segment.

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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 2016

Current Quarter vs. Prior Year Same Quarter Comparison

(b) Profit/(Loss) Before Taxation

(ii) Trading (Consumer Goods) Division

The Division was able to turnaround and registered a Profit Before Tax of RM463,000 (+168%) to RM187,000 (Q3-FY16 Loss: RM276,000) mainly contributed by a revenue rebound. Profits also improved due to the launch of higher margin products introduced in the previous quarter. In addition, the better result was further assisted by the continuing efforts in cost cutting measures and improved logistic activities.

(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 received any dividend income (Q3-FY16: 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 BURSA MALAYSIA FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016**

(19) Comparison with Immediate Preceding Quarter's Results

	INDIVIDUAL QUARTER	
	3 months ended	
	31.12.2016	30.09.2016
	(Unaudited)	
	RM'000	
<u>Segment Revenue</u>		
Manufacturing	22,072	21,318
Trading (Consumer Goods)	2,267	1,475
Sub-Total (Operating Entities)	24,339	22,793
Investment holding	-	-
Total revenue including inter-segment sales	24,339	22,793
Elimination of inter-segment transactions	(9)	(90)
Total revenue	24,330	22,703
<u>Segment Results</u>		
Manufacturing	(392)	139
Trading (Consumer Goods)	187	7
Sub-Total (Operating Entities)	(205)	146
Management services	(2)	(3)
Investment holdings	(147)	(128)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	(354)	15
Elimination of inter-segment transactions	(19)	(9)
Profit / (Loss) before taxation	(373)	6

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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 2016**

Current Quarter vs Previous Quarter comparison

(a) Revenue

The Group registered an increase of RM1.6 million in Revenue (+7%) for the current quarter to RM24.3 million (Q2-FY17: RM22.7 million). The increased revenue were contributed by both Manufacturing and Trading (Consumer Goods) Division as below:

(i) Manufacturing Division

This Division's Revenue increased by RM700,000 (+4%) to RM22 million (Q2-FY17: RM21.3 million) was mainly resulted from the higher Revenue recognition of RM1.3 million in Tooling Sub Segment to RM3.4 million (Q2-FY17: RM2 million) for the subsidiary in Malaysia. However, this higher Revenue recognition in Tooling Sub Segment was off set by lower sales in Plastic Parts Sub Segment of RM600,000.

(ii) Trading (Consumer Goods) Division

There was a significant improvement in the Revenue from this Division by RM800,000 (+54 %) to RM2.3 million (Q2-FY17: RM1.5 million) mainly due to higher orders for Chinese New Year 2017.

(b) Profit / (Loss) Before Taxation

The Group had registered a reduction in Net Profit Before Taxation of RM379,000 to Loss Before Taxation amounted RM373,000 (Q2-FY17 : Profit RM6,000). The adverse result was mainly attributed by poorer performance in Manufacturing Division, as below:

(i) Manufacturing Division

The adverse movement of RM530,000 (-382%) to Loss Before Tax amounted RM390,000 (Q2-FY17: RM140,000) was mainly due to higher operating cost incurred by the subsidiary 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 2016**

Current Quarter vs Previous Quarter comparison

(ii) Trading (Consumer Goods) Division

This Division showed a rebound in the performance of RM180,000 in Profit Before Taxation to RM187,000 (Q2-FY17: RM7,000) in the current quarter. This was mainly attributed to higher sales for Chinese New Year 2017 whereby better margin generated by new products introduced to market since last quarter.

(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 received any dividend income (Q2-FY17: 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 BURSA MALAYSIA FOR THE THIRD QUARTER ENDED 31 DECEMBER 2016**

(20) Current Year Prospects

During the financial year 2017, the adverse performance and lower growth was no surprise to the Management given the unfavourable global economic uncertainty and external factors beyond the Management's control.

(i) **Manufacturing Division**

The poorer result recorded in FY2017 by this Division was mainly attributed to lower output and higher material consumption in both Plastic Parts and Tooling Sub Segment by the subsidiary in Malaysia. The Subsidiary in Indonesia had started to generate income and contributing Revenue to the Group, however it still in the midst of stabilizing its operating cost and the Board do not expect significant positive result from this subsidiary in FY2017.

Whilst the Group's marketing strategy to increase new customer base and products, the escalating cost environment in Malaysia remain a major challenge for this Division.

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

Apart from the aggressive activities on clearing the lower margin slow moving stocks in previous quarters, with the low margin stocks cleared and the introduction of new range of products to the market, backed with improved warehouse and logistic management, this Division is expect to be able to turnaround its Revenue as well as Earnings in FY 2017.

Despite the challenging circumstances, the Board remains optimistic about the Group's outlook for the financial year, due to implementation of various improvement initiatives.

(21) Profit Forecast and Profit Guarantee

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

(22) Taxation

In respect of current period
-Malaysian income tax
-Deferred tax

INDIVIDUAL QUARTER 3 months ended 31-Dec		CUMULATIVE QUARTERS 3 months ended 31-Dec	
2016	2015	2016	2015
(Unaudited)		(Unaudited)	
RM'000		RM'000	
118	408	142	328
-	-	-	-
118	408	142	328

(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 2016

(24) Group Borrowings

Details of the unaudited Group borrowings as at 31 December 2016 are as follows:

Type of borrowing	Short term	Long term	Total
	Secured		
	RM'000		
Bank Overdraft	558	-	558
Bills Payable and Bankers Acceptance	8,709	-	8,709
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	1,533	3,795	5,328
Term Loans	1,387	3,218	4,605
TOTAL	14,187	7,013	21,200

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 2016	-	7,320	2,000	1,526	4,937	15,783
Drawdown	558	-	-	4,474	-	5,032
Repayment	-	1,389	-	(672)	(332)	385
As at end of period 31 December 2016	558	8,709	2,000	5,328	4,605	21,200

(25) Material Litigation

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

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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 2016**

(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	
		2016	2015	2016	2015
		(Unaudited)		(Unaudited)	
Profit attributable to ordinary equity holders of the parent	RM	(490,862)	832,185	(49,019)	1,804,219
Weighted average number of ordinary shares in issue		104,468,851	104,468,851	104,468,851	104,468,851
Basic profit per share for period (sen):	RM	(0.47)	0.80	(0.05)	1.73

(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 (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 2016**

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

	As at 31.12.2016 (Unaudited) RM'000
Total Accumulated Losses of the Group	
- Realised	(2,408)
- Unrealised	4,665
Total Group Accumulated Losses as per Consolidated Unaudited Financial Statements	2,257

(30) Authorised for Issue

These Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 20th February 2017.

BY ORDER OF THE BOARD

Yong May Li (LS 0000295)

Wong Chee Yin (MAICSA 7023530)

Santhi A/P Saminathan (MIA 37094)

Company Secretaries