



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

**INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED
31 MARCH 2017**

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

INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

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DENKO INDUSTRIAL CORPORATION BERHAD (Company No.: 190155-M)
(Incorporated In Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME**

FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

	INDIVIDUAL QUARTER 3 months ended 31st March		CUMULATIVE QUARTER 12 months ended 31st March	
	2017	2016	2017	2016
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RM'000	RM'000	RM'000	RM'000
Revenue	30,567	23,759	101,603	92,753
Cost Of Sales	(30,119)	(20,475)	(93,161)	(77,920)
Gross Profit	448	3,284	8,442	14,833
Other Income	(378)	(6)	2,878	1,262
Marketing and Distribution Costs	(1,901)	(1,005)	(5,404)	(4,630)
Administration Expenses	(2,662)	(1,056)	(8,255)	(7,137)
Other Operating Expenses	(5,341)	(1,127)	(6,599)	(1,392)
Profit From Operations	(9,834)	90	(8,938)	2,936
Finance Costs	(343)	(231)	(1,145)	(944)
Profit Before Tax	(10,177)	(141)	(10,083)	1,992
Taxation	(1,161)	1,322	(1,303)	994
Profit / (Loss) net of Tax for the period	(11,338)	1,181	(11,386)	2,986
Other comprehensive income / (expenses), net of tax				
Foreign Currency Translation Differences	(37)	84	(137)	84
Total comprehensive income for the period, net of tax	(11,375)	1,265	(11,523)	3,070
Profit / (Loss) per ordinary share attributable to equity holders of the parent	(11,338)	1,181	(11,386)	2,986
Total comprehensive income attributable to equity holders of the parent	(11,375)	1,265	(11,523)	3,070
Basic, profit/(loss) per ordinary share (sen)	(10.85)	1.13	(10.90)	2.86
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 FOURTH QUARTER ENDED 31 MARCH 2017

	Note	As at 31.03.2017 (Unaudited)	As at 31.03.2016 (Audited)
RM'000			
ASSETS			
Non-current assets			
Property, plant and equipment	8	50,321	52,074
Current assets			
Inventories		18,427	18,860
Trade and other receivables		30,691	24,503
Current tax asset		154	139
Cash and bank balances		1,921	4,607
Current assets classified as held for sale		-	5,500
Total current assets		51,193	53,609
TOTAL ASSETS		101,514	105,683
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		43,354	41,788
Reserves		15,034	19,606
Accumulated losses		(13,594)	(5,077)
Total Equity		44,794	56,317
Non current liabilities			
Long term borrowings	24	9,598	5,533
Deferred tax liabilities		4,901	4,671
Total non-current liabilities		14,499	10,204
Current Liabilities			
Trade and other payables		27,396	23,922
Current Tax Liabilities		4	183
Amount owing to Directors		-	4,808
Short term borrowings	24	14,821	10,249
Total current liabilities		42,221	39,162
TOTAL LIABILITIES		56,720	49,366
TOTAL EQUITY AND LIABILITIES		101,514	105,683
Net assets per share attributable to equity holders of the parents (RM)		0.4288	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)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

	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	-	-	-	-	(11,386)	(11,386)
Other comprehensive income for the period						-
- Foreign currency translation	-	-	-	(137)	-	(137)
Total comprehensive Income for the period	-	-	-	(137)	(11,386)	(11,523)
Transfer to accumulated losses	-	-	(2,869)	-	2,869	-
Transfer share premium to share capital	1,566	(1,566)				
At 31 MARCH 2017	43,354	-	15,090	(56)	(13,594)	44,794

At 1 APRIL 2015	41,788	1,566	17,959	(3)	(8,063)	53,247
Profit after tax for the period	-	-	-	-	2,986	2,986
Other comprehensive income for the period						-
- Foreign currency translation	-	-	-	84	-	84
Total comprehensive income for the period	-	-	-	84	2,986	3,070
At 31 MARCH 2016	41,788	1,566	17,959	81	(5,077)	56,317

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 FOURTH QUARTER ENDED 31 MARCH 2017

	Note	12 months to	
		31.03.2017	31.03.2016
		(Unaudited)	(Audited)
		RM'000	
1. Cash flow from operating activities			
Profit /(Loss) before tax		(10,083)	1,992
<i>Adjustment for investing and financing items not involving movement of cash and cash equivalent</i>			
Impairment for trade and other receivables		1,796	798
Reversal of impairment losses on trade receivables		(176)	(1)
Bad debts written off		19	-
Depreciation		4,685	4,530
Impairment losses on property plant and equipment		4,169	51
Gain on disposal of property, plant and equipment		(1,709)	(30)
Property, plant and equipment written off		228	1
Interest expense		1,145	929
Interest income		10	(10)
Inventory written off		788	643
Increase / (Decrease) in provision for slow moving stocks		(116)	560
Unrealised (gain) / loss on foreign exchange		(446)	594
Operating profit before working capital changes		310	10,057
Net change in inventories		(240)	(4,959)
Net change in trade and other receivables		(7,244)	(2,351)
Net change in trade and other payables		3,221	6,856
Cash (used in)/generated from operations		(3,953)	9,603
Interest paid		(1,145)	(929)
Income tax paid		(542)	(718)
Income tax refund		87	466
RPGT paid		(784)	-
Net cash (used in)/from operating activities		(6,337)	8,422

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)
(Incorporated In Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

	Note	12 months to	
		31.03.2017	31.03.2016
		(Unaudited)	(Audited)
2. Cash flow from investing activities		RM'000	
Purchase of property, plant and equipment		(2,917)	(2,115)
Interest received		(10)	10
Proceeds from disposal of property, plant and equipment		7,593	317
Net cash from /(used in) investing activities		4,666	(1,788)
3. Cash flow from financing activities			
(Repayment to)/advances from directors		(4,808)	(3,499)
Drawdown of Revolving Credit		3,000	-
Drawdown/(Repayment) of banker acceptance		(1,024)	(1,637)
Repayment of term loans		(375)	(2,608)
Drawdown of term loan		2,821	5,000
Repayment of hire purchase creditors		(918)	(1,059)
Drawdown of hire purchase creditors		-	373
Decrease/(Placement) of cash for issuance of bank guarantee		870	(870)
Interest paid		-	(332)
Net cash used in financing activities		(434)	(4,632)
Net decrease in cash and cash equivalents		(2,105)	2,002
Cash and cash equivalents as at beginning of financial period 1st April		3,737	1,821
Effect on foreign exchange translation		(301)	(86)
Cash and cash equivalents as at end of financial period 31st March*		1,331	3,737
<i>*Cash and cash equivalents at the end of the financial period comprise the following:</i>			
Cash and bank balances		1,921	4,607
Bank overdrafts		(590)	-
		1,331	4,607
Less: Bank Balance restricted for usage		-	(870)
		1,331	3,737

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)
Incorporated in Malaysia

PART A

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

FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

(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 and/or IC Interpretations (Including The Consequential Amendments)

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 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 and/or IC Interpretations (Including The Consequential Amendments)

Effective Date

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

01 January 2018

MFRS 15 Revenue from Contracts with Customers

01 January 2018

MFRS 16 Leases

01 January 2019

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

01 January 2018

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

01 January 2018

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Deferred until further notice

Amendments to MFRS 15: Effective Date of MFRS 15

01 January 2018

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

01 January 2018

Amendments to MFRS 107: Disclosure Initiative

01 January 2017

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

01 January 2017

Annual Improvements to MFRS Standards 2014 – 2016 Cycles:

01 January 2017

• Amendments to MFRS 12: Clarification of the Scope of Standard

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.

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 FOURTH QUARTER ENDED 31 MARCH 2017

(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:

Q4-FY17	Malaysia	Indonesia	Elimination	Consolidated
	RM'000			
Revenue				
Sales to external customer	30,422	145	-	30,567
Inter-segment sales	0	-	(0)	-
	<u>30,422</u>	<u>145</u>	<u>(0)</u>	<u>30,567</u>
Segment results	<u>(3,423)</u>	<u>(6,411)</u>	<u>-</u>	<u>(9,834)</u>
Finance Cost				(343)
Profit / (Loss) Before Tax				<u>(10,177)</u>
Q3-FY17	Malaysia	Indonesia	Elimination	Consolidated
	RM'000			
Revenue				
Sales to external customer	23,887	443	-	24,330
Inter-segment sales	9	-	(9)	-
	<u>23,896</u>	<u>443</u>	<u>(9)</u>	<u>24,330</u>
Segment results	<u>380</u>	<u>(467)</u>	<u>-</u>	<u>(87)</u>
Finance Cost				(286)
Profit Before Tax				<u>(373)</u>

PART A
SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS
(MFRSs) 134
FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

(4) Segmental Reporting (Continued)

Q4-FY16	Malaysia	Indonesia	Elimination	Consolidated
	RM'000			
Revenue				
Sales to external customer	23,325	434	-	23,759
Inter-segment sales	412	-	(412)	-
	<u>23,737</u>	<u>434</u>	<u>(412)</u>	<u>23,759</u>
Segment results	<u>1,161</u>	<u>(1,071)</u>	<u>-</u>	<u>90</u>
Finance Cost				<u>(231)</u>
Profit Before Tax				<u><u>(141)</u></u>

(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 FOURTH QUARTER ENDED 31 MARCH 2017

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

	12 months ended	
	31st March	
	2017	2016
	(Unaudited)	(Audited)
	RM'000	
PPE at 1st April	52,074	54,281
Asset held for sale as at 1st April	5,500	-
Additions	7,460	2,565
Disposals	(5,883)	(287)
Written off	(228)	-
Impairment	(4,169)	(51)
Translation Difference	252	96
Depreciation and Amortization	(4,685)	(4,530)
PPE at 31st March	50,321	52,074

(9) Inventory Write Offs

The inventory write off during the current quarter amounted RM788,340. (Q4-FY16: RM319,000).

(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 FOURTH QUARTER ENDED 31 MARCH 2017

(12) Debt and Equity Securities

The Group did not undertake any other issuance and/or repayment of debt and equity securities, share cancellations, shares buy back and resale of treasury shares during the current quarter.

(13) Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

(14) Capital Commitments

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

	As at 31.03.2017 (Unaudited) RM'000
- Authorised but not contracted	-
- Contracted but not provided	3,440

(15) Changes in Contingent Liabilities and Contingent Assets

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group which has arisen since the end of the financial year.

(16) Material Subsequent Events

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

(17) Significant Related Parties Transactions

	Financial Year ending 31-Mar-17 (Unaudited) RM'000
Revenue	
- Supply of plastic parts received and receivable	541

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 FOURTH QUARTER ENDED 31 MARCH 2017

(18) Profit for the period

		INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		3 months ended		12 months ended	
		31st March			
		2017	2016	2017	2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		RM'000			
(i)	Interest Income	(10)	0	(10)	10
(ii)	Other income including investment income	22	334	172	609
(iii)	Interest expense	(342)	(237)	(1,145)	(944)
(iv)	Depreciation	(1,246)	(1,060)	(4,685)	(4,574)
(v)	(Provision) / Reversal of provision for receivables / (Bad Debts written off)	(1,744)	(834)	(1,639)	(833)
(vi)	Decrease/(Increase) in Provision for slow moving inventories and Stocks written off	(1,980)	258	(672)	(560)
(vii)	(Loss) / Gain on disposal of quoted or unquoted investment or properties	(256)	(12)	1,709	30
(viii)	Write off/Impairment of assets	(4,383)	(51)	(4,397)	(51)
(ix)	Foreign exchange gain/ (Loss)	(181)	(196)	646	(357)

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 FOURTH QUARTER ENDED 31 MARCH 2017

(19) Review of Current Quarter Performance

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	3 months ended		12 months ended	
	31st March			
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	(Audited)
RM'000				
Segment Revenue				
Manufacturing	29,734	23,123	95,687	87,830
Trading (Consumer Goods)	833	1,046	6,015	5,383
Sub-Total (Operating Entities)	30,567	24,169	101,702	93,213
Management services – (Note1)	-	-	-	-
Investment holding	-	-	2,800	-
Total revenue including inter-segment sales	30,567	24,169	104,502	93,213
Elimination of inter-segment transactions	(0)	(410)	(2,899)	(460)
Total Revenue	30,567	23,759	101,603	92,753
Segment Results				
Manufacturing	(8,348)	1,887	(8,571)	5,086
Trading (Consumer Goods)	(1,202)	(2,170)	(441)	(2,840)
Sub-Total (Operating Entities)	(9,550)	(283)	(9,012)	2,246
Management services	(3)	(1)	(11)	(10)
Investment holding	(377)	(119)	2,015	(506)
Total Profit before taxation including inter-segment Profit/(Loss)	(9,930)	(403)	(7,008)	1,730
Elimination of inter-segment transactions	(247)	262	(3,075)	262
Profit /(Loss) Before Taxation	(10,177)	(141)	(10,083)	1,992

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 FOURTH QUARTER ENDED 31 MARCH 2017

Current Quarter vs Prior Year Same Quarter Comparison

(a) Revenue

The Group's revenue recorded a substantial increase by RM6.8 million (+29%) in the current quarter under review to RM30.5 million (Q4-FY16: RM23.7 million). The increases in Revenue were due to the factors as below:

(i) Manufacturing Division

During the current quarter, the Revenue in this Division recorded an increase of RM6.6 million (+29%) to RM29.7 million (Q4-FY16: RM23.1 million).

The favourable variance in Revenue was mainly due to higher sales in both Plastic Parts and Tooling sub segment generated by the subsidiary in Malaysia. A strong Revenue growth of RM4.3 million and RM2.6 million was recorded for both Plastic Parts and Tooling sub segments respectively. As a result of this positive growth, Revenue in Plastic Parts sub segment had recorded an increase to RM22.6 million (Q4-FY16: RM18.3 million) and Revenue in Tooling sub segment increased to RM7.0 million (Q4-FY16: RM4.4 million).

However, this positive contribution was off set by a RM300,000 reduction in Revenue from the subsidiary in Indonesia.

(ii) Trading (Consumer Goods) Division

The Revenue from Trading (Consumer Goods) Division reduced by RM200,000 (-20%) to RM800,000 in Q4-FY17 (Q4-FY16:RM1million).

(b) Profit/(Loss) Before Taxation

In the current quarter, the Group had recorded Loss Before Tax of RM10.2 million (Q4-FY16: Loss RM140,000) representing an adverse movement of RM10.0 million (-7142 %). The poor performance in Profit Before Tax were partially due to the following:

(i) Manufacturing Division

During the current quarter, this Division suffered a significant drop in its Profit Before Tax of RM10.2 million (-537%) to Loss Before Tax amounted RM8.3 million (Q4-FY16: Profit RM1.9 million), partially due to the Impairment of Trade Debtor and Impairment of Fixed Assets amounted to RM1.4 million and RM4.0 million respectively.

Apart from the above, Plastic Parts sub segment had registered lower margin mainly due to higher material cost, higher material consumption and lower output in the current quarter.

PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

Current Quarter vs. Prior Year Same Quarter Comparison

(b) Profit/(Loss) Before Taxation

(ii) Trading (Consumer Goods) Division

The Loss Before Tax for this Division reduced by approximately RM1 million to Loss Before Tax amounting to RM1.2 million (Q4-FY16: Loss RM2.2 million) mainly contributed from the new launch of higher margin products introduced in the previous quarter, further backed by the continuing efforts in cost cutting strategies and improved logistic management. However, this Division had incurred the following impairments in the current quarter:

- (i) Write off of obsolete stocks amounted RM800,000
- (ii) Fixed asset written off and impaired amounting to RM420,000; and
- (iii) Impairment of Trade Debtor of RM415,000.

(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 (Q4-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 FOURTH QUARTER ENDED 31 MARCH 2017

(20) Comparison with Immediate Preceding Quarter's Results

	INDIVIDUAL QUARTER	
	3 months ended	
	31.03.2017	31.12.2016
	(Unaudited)	
	RM'000	
<u>Segment Revenue</u>		
Manufacturing	29,734	22,072
Trading (Consumer Goods)	833	2,267
Sub-Total (Operating Entities)	30,567	24,339
Investment holding	-	-
Total revenue including inter-segment sales	30,567	24,339
Elimination of inter-segment transactions	(0)	(9)
Total revenue	30,567	24,330
<u>Segment Results</u>		
Manufacturing	(8,348)	(392)
Trading (Consumer Goods)	(1,202)	187
Sub-Total (Operating Entities)	(9,550)	(205)
Management services	(3)	(2)
Investment holdings	(377)	(147)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	(9,930)	(354)
Elimination of inter-segment transactions	(247)	(19)
Profit / (Loss) before taxation	(10,177)	(373)

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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 FOURTH QUARTER ENDED 31 MARCH 2017

Current Quarter vs Previous Quarter comparison

(a) Revenue

The Group registered an increase of RM6.2 million in Revenue (+26%) for the current quarter to RM30.5 million (Q3-FY17: RM24.3 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 RM7.7 million (+35%) to RM29.7 million (Q3-FY17: RM22 million) was mainly due to the higher Revenue recorded in both Plastic Parts and Tooling sub segment. For the subsidiary in Malaysia, Revenue in Plastic Parts sub segment increased by RM4.4 million to RM22.6 million (Q3-FY17: RM18.2 million) whereas Revenue in Tooling sub segment was up by RM3.6 million to RM7.0 million (Q3-FY17: RM3.4 million).

This Revenue rebound was offset by the decrease of RM300,000 in Revenue recorded by the subsidiary in Indonesia in the current quarter to RM140,000 (Q3-FY: RM440,000).

(ii) Trading (Consumer Goods) Division

The Revenue from this Division dropped by RM1.4 million (-63%) to RM800,000 (Q3-FY17: RM2.2 million) mainly due to seasonal factor whereby higher orders for Chinese New Year 2017 were recorded in Q3.

(b) Profit / (Loss) Before Taxation

In the current quarter, the Group's Loss Before Taxation had widen by RM9.8 million (+2648%) to RM10.2 million (Q3-FY17: Loss RM370,000). The variances were partially due to the following:

(i) Manufacturing Division

This Division's Loss Before Tax was increased in the current quarter by RM7.9 million to approximately RM8.3 million (Q3-FY17: Loss RM400,000) as a result of:

- (i) Impairment of Trade Debtor and bad debts written off amounting to RM1.4 million; and
- (ii) Impairment of Fixed Assets amounting to RM4.0 million.

There was no equivalent transactions incurred in Q3-FY2017.

This adverse variance was further caused by lower margin generated from the Plastic Parts sub segment by the subsidiary in Malaysia.

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OF BURSA MALAYSIA FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

Current Quarter vs Previous Quarter comparison

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

In the current quarter, this Division had recorded an unfavourable variances of RM1.4 million and turned from Profit Before Taxation to Loss Before Taxation of RM1.2 million (Q3-FY17: RM200,000). Besides the Impairments incurred in the current quarter, as mentioned earlier, the adverse variance was also attributed to seasonal factors whereby higher Revenue for Chinese New Year 2017 were generated and thus contributed positively to the performance in Q3.

(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-FY17: Nil).

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OF BURSA MALAYSIA FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

(21) Current Year Prospects

For the Financial Year Ended 2017, the Group recorded an Operational Loss Before Taxation of RM7.7 million (by removing the one-off gain on the disposal of building of RM1.9 million and impairment of assets RM4.3 million), compared to Profit Before Taxation of RM2 million in the preceeding year, resulted an unfavourable variance of RM9.7 million.

The two major contributing factors to the Losses are the lower Gross Margin generated from both Plastic Parts and Tooling Sub Segment due to higher material consumption and lower output respectively; and the clearing of slow moving stocks at lower selling price and written off obsolete stocks at Trading Division.

A leadership change under the new Board appointed in March 2017 would definitely open a new chapter for the Group. The Board has reasons to be optimistic that FYE 2018 will be a turnaround year. Aggressive recovery strategies will be implemented, together with efforts in reviewing opportunities for further growth via business expansion.

In pursuing its recovery and growth strategy, the Manufacturing Division will invested in new plant and machinery, at the same time focus on increased revenue generation and attention to cost reduction, improving efficiencies and productivity. The marketing strategy is to win a bigger share of existing customers' supply requirements and carry on the customers rationalization activities in order to be less exposed to the fluctuations and uncertainties in the world economy. Under such circumstances, the Board is confident this division will be able to restore the revenue growth and thus contribute positively to the bottom line. We have reason to be confident that we will make a substantial improvement to recover from the loss incurred by this Division in FY2017.

Trading Division will see a product rationalization plan, recovery measures on the warehouse and logistic operations and cost cutting initiatives being implemented in the new financial year.

Whilst the market expansion and recovery plans are being rolled out over the next few quarters, the Board is confident the Group will return to profitability in the near term.

(22) Profit Forecast and Profit Guarantee

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

(23) Taxation

	INDIVIDUAL QUARTER 3 months ended 31-Mar		CUMULATIVE QUARTERS 12 months ended 31-Mar	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	(Audited)
	RM'000		RM'000	
In respect of current period				
-Malaysian income tax	902	150	1,044	478
-Deferred tax	259	(1,472)	259	(1,472)
	1,161	(1,322)	1,303	(994)

(24) 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 FOURTH QUARTER ENDED 31 MARCH 2017

(25) Group Borrowings

Details of the unaudited Group borrowings as at 31 March 2017 are as follows:

Type of borrowing	Short term	Long term	Total
	Secured		
	RM'000		
Bank Overdraft	590	-	590
Bills Payable and Bankers Acceptance	6,296	-	6,296
Revolving Credit	5,000	-	5,000
Hire Purchase Creditors	1,513	3,637	5,150
Term Loans	1,422	5,961	7,383
TOTAL	14,821	9,598	24,419

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	590	-	3,000	4,543	2,821	10,954
Repayment	-	(1,024)	-	(919)	(375)	(2,318)
As at end of period 31 March 2017	590	6,296	5,000	5,150	7,383	24,419

(26) 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 FOURTH QUARTER ENDED 31 MARCH 2017

(27) Dividend Payable

No interim dividend has been recommended for the current quarter.

(28) Basic Profit/(Loss) Per Ordinary Share

The basic profit/(loss) per ordinary share of the Group are calculated by dividing the net profit/(loss) for the current period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares in issue during the period.

		INDIVIDUAL QUARTER 3 months ended 31-Mar		CUMULATIVE QUARTERS 12 months ended 31-Mar	
		2017	2016	2017	2016
		(Unaudited)		(Unaudited)	(Audited)
Profit/(Loss) attributable to ordinary equity holders of the parent	RM	(11,338,342)	1,180,640	(11,386,361)	2,985,859
Weighted average number of ordinary shares in issue		104,468,851	104,468,851	104,468,851	104,468,851
Basic profit/(Loss) per share for period (sen):	RM	(10.85)	1.13	(10.90)	2.86

(29) Fully Diluted Profit/(Loss) Per Ordinary Share

Fully diluted profit/(loss) per ordinary share for the current quarter is not presented as the Company does not have any outstanding share options or other potentially dilutive financial instruments currently on issue.

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PART B
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OF BURSA MALAYSIA FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

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

	As at 31.03.2017 (Unaudited) RM'000
Total Accumulated Losses of the Group	
- Realised	9,140
- Unrealised	4,455
Total Group Accumulated Losses as per Consolidated Unaudited Financial Statements	13,594

(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 May 2017.

BY ORDER OF THE BOARD

Yong May Li (LS 0000295)

Wong Chee Yin (MAICSA 7023530)

Santhi A/P Saminathan (MIA 37094)

Company Secretaries