



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

**INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 SEPTEMBER 2017**

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

INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 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 SECOND QUARTER ENDED 30 SEPTEMBER 2017

	INDIVIDUAL QUARTER 3 months ended 30th September		CUMULATIVE QUARTERS 6 months ended 30th September	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
	RM'000	RM'000	RM'000	RM'000
Revenue	28,950	22,703	56,794	46,707
Cost Of Sales	(26,797)	(19,772)	(53,916)	(41,772)
Gross Profit	2,153	2,931	2,878	4,935
Other Income	130	341	189	3,262
Marketing and Distribution Costs	(937)	(1,045)	(2,074)	(2,246)
Administration Expenses	(708)	(1,717)	(2,055)	(3,492)
Other Operating Expenses	51	(231)	(124)	(1,474)
Profit From Operations	689	279	(1,186)	985
Finance Costs	(410)	(273)	(757)	(518)
Profit / (Loss) Before Tax	279	6	(1,943)	467
Taxation	(10)	(24)	(15)	(24)
Profit / (Loss) net of Tax for the period	269	(18)	(1,958)	443
Other comprehensive income / (expenses), net of tax				
Foreign Currency Translation Differences	63	64	61	(134)
Total comprehensive income for the period, net of tax	332	46	(1,897)	309
Profit or Loss attributable to the ordinary equity holders of the parent entity	269	(18)	(1,958)	443
Total comprehensive income attributable to equity holders of the parent	332	46	(1,897)	309
Basic, profit/(loss) per ordinary share (sen)	0.26	(0.02)	(1.87)	0.42
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 2017 and the accompanying explanatory notes attached to this Interim Financial Statements.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017

	Note	As at 30.09.2017 (Unaudited)	As at 31.03.2017 (Audited)
RM'000			
ASSETS			
Non-current assets			
Property, plant and equipment	8	49,007	50,321
Current assets			
Inventories		19,015	18,455
Trade and other receivables		31,473	30,260
Current tax asset		354	247
Cash and bank balances		1,578	1,921
Current assets classified as held for sale		-	-
Total current assets		52,420	50,883
TOTAL ASSETS		101,427	101,204
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		43,354	43,354
Reserves		15,700	15,639
Accumulated losses		(15,455)	(13,496)
Total Equity		43,599	45,497
Non current liabilities			
Long term borrowings	25	9,426	10,471
Deferred tax liabilities		4,907	4,907
Total non-current liabilities		14,333	15,378
Current Liabilities			
Trade and other payables		26,726	26,362
Current Tax Liabilities		-	19
Amount owing to Directors		81	-
Short term borrowings	25	16,688	13,948
Total current liabilities		43,495	40,329
TOTAL LIABILITIES		57,828	55,707
TOTAL EQUITY AND LIABILITIES		101,427	101,204
Net assets per share attributable to equity holders of the parents (RM)		0.4173	0.4355

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2017 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 SECOND QUARTER ENDED 30 SEPTEMBER 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 2017	43,354	-	15,090	549	(13,497)	45,496
Profit/(Loss) after tax for the period	-	-	-	-	(1,958)	(1,958)
Other comprehensive income for the period						-
- Foreign currency translation	-	-	-	61	-	61
Total comprehensive Income for the period	-	-	-	61	(1,958)	(1,897)
At 30 SEPTEMBER 2017	43,354	-	15,090	610	(15,455)	43,599

At 1 APRIL 2016	41,788	1,566	17,959	81	(5,077)	56,317
Profit / (Loss) after tax for the period	-	-	-	-	443	443
Other comprehensive income for the period						-
- Foreign currency translation	-	-	-	(134)	-	(134)
Total comprehensive income for the period	-	-	-	(134)	443	309
Transfer to accumulated losses	-	-	(2,869)	-	2,869	-
At 30 SEPTEMBER 2016	41,788	1,566	15,090	(53)	(1,765)	56,626

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2017 and the accompanying explanatory notes attached to this Interim Financial Statements.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017

	Note	6 months to	
		30.09.2017	30.09.2016
		(Unaudited)	
		RM'000	
1. Cash flow from operating activities			
Profit/(Loss) before tax		(1,943)	467
<i>Adjustment for investing and financing items not involving movement of cash and cash equivalent</i>			
Reversal of impairment losses on trade receivables		(21)	(105)
Depreciation		1,938	2,273
Gain on disposal of property, plant and equipment		(35)	(1,949)
Property, plant and equipment written off		1	-
Interest expense		754	518
Increase / (Decrease) in provision for slow moving stocks		864	(126)
Unrealised (gain) / loss on foreign exchange		(196)	(630)
Operating profit before working capital changes		1,362	448
Net change in inventories		(1,424)	467
Net change in trade and other receivables		(1,052)	(5,392)
Net change in trade and other payables		437	3,835
Cash (used in)/generated from operations		(677)	(642)
Interest paid		(754)	(518)
Income tax paid		(141)	(261)
Income tax refund		-	-
Net cash from / (used in) operating activities		(1,572)	(1,421)

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2017 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 SECOND QUARTER ENDED 30 SEPTEMBER 2017

	Note	6 months to	
		30.09.2017	30.09.2016
		(Unaudited)	
2. Cash flow from investing activities		RM'000	
Purchase of property, plant and equipment		(627)	(5,625)
Interest received		0	-
Proceeds from disposal of property, plant and equipment		38	7,847
Net cash from /(used in) investing activities		(589)	2,222
3. Cash flow from financing activities			
(Repayment to)/advances from directors		81	(4,377)
Drawdown/(Repayment) of banker acceptance		683	(689)
Repayment of term loans		(202)	(365)
Drawdown of term loan		679	-
Repayment of hire purchase creditors		(769)	(402)
Drawdown of hire purchase creditors		-	2,412
Net cash used in financing activities		472	(3,421)
Net decrease in cash and cash equivalents		(1,689)	(2,620)
Cash and cash equivalents as at beginning of financial period 1st April		1,331	4,607
Effect on foreign exchange translation		41	(134)
Cash and cash equivalents as at end of financial period 30th September*		(317)	1,853
<i>*Cash and cash equivalents at the end of the financial period comprise the following:</i>			
Cash and bank balances		1,578	1,853
Bank overdrafts		(1,895)	-
		(317)	1,853

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 March 2017 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 SECOND QUARTER ENDED 30 SEPTEMBER 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

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 SECOND QUARTER ENDED 30 SEPTEMBER 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 2017.

(3) Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report on the Audited Financial Statements for the year ended 31 March 2017 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:

Q2-FY18	Malaysia	Indonesia	Elimination	Consolidated
	RM'000			
Revenue				
Sales to external customer	28,413	537	-	28,950
Inter-segment sales	(56)	-	56	-
	<u>28,357</u>	<u>537</u>	<u>56</u>	<u>28,950</u>
Segment results	709	(20)	-	689
Finance Cost				(410)
Profit / (Loss) Before Tax				<u>279</u>
Q1-FY18	Malaysia	Indonesia	Elimination	Consolidated
	RM'000			
Revenue				
Sales to external customer	27,389	455	-	27,844
Inter-segment sales	(56)	-	56	-
	<u>27,333</u>	<u>455</u>	<u>56</u>	<u>27,844</u>
Segment results	(1,747)	(128)	-	(1,875)
Finance Cost				(347)
Profit Before Tax				<u>(2,222)</u>

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SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS
(MFRSs) 134
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017

(4) Segmental Reporting (Continued)

Q2-FY17	Malaysia	Indonesia	Elimination	Consolidated
	RM'000			
Revenue				
Sales to external customer	21,922	781	-	22,703
Inter-segment sales	90	-	(90)	-
	22,012	781	(90)	22,703
Segment results	556	(277)	-	279
Finance Cost				(273)
Profit Before Tax				6

(5) Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

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.

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

	6 months ended	
	30 September	
	2017	2016
	(Unaudited)	
	RM'000	
PPE as at 1st April	50,321	52,074
Asset held for sale as at 1st April	-	5,500
Additions	627	5,624
Disposals	(2)	(5,897)
Written off	(1)	-
Depreciation and Amortization	(1,938)	(2,273)
PPE as at 30th September	49,007	55,028

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SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS
(MFRSs) 134
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017

(9) Inventory Write Offs

There were no inventory write offs during the current quarter. (Q2-FY17: 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 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 30.09.2017 (Unaudited) RM'000
- Authorised but not contracted	1,971
- Contracted but not provided	11,834

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PART A

**SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARDS (MFRSs) 134
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017**

(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

The Company has on 23 October 2017 announced multiple proposals as below:

- (i) Entered into a heads of agreement with Dato' Sri Foo Chee Juan and Dato' Fong Chiu Wan (Vendors) for the proposed acquisition of 6,200,000 ordinary shares in Integrated Manufacturing Solutions Sdn Bhd ("IMS"), representing the entire equity interest in IMS, for an indicative purchase consideration of RM1,186,920,000 to be satisfied via allotment and issuance of 1,032,104,348 new ordinary shares in Denko ("Denko Shares") at an issue price fixed at RM1.15 per Denko Share ("Proposed Acquisition").
- (ii) Proposed Private Placement of up to 10,446,885 new ordinary shares of Denko representing up to 10% of the existing total number of issued shares of Denko to third party investors ("Proposed Private Placement").

On 3 November 2017, the first tranche of the Private Placement has been completed following the listing of and quotation for 4,178,700 Placement Shares on the Main Market of Bursa Securities.

on 21 November 2017 the Company fixed the issue price for 6,268,100 Placement Shares (representing the second and final tranche of the Private Placement) at RM1.23 each ("Second Tranche Issue Price"). The Second Tranche Issue Price represents a discount of RM0.129 or approximately 9.49% over the five (5) day volume weighted average market price of Denko Shares up to and including 20 November 2017 (being the last trading day immediately prior to the price-fixing date) of RM1.3590.

On 21 November 2017, the Company had entered into a conditional share sale agreement with the Vendors for the proposed acquisition by Denko of 6,200,000 ordinary shares in Integrated Manufacturing Solutions Sdn Bhd for a purchase consideration of RM1,186,920,000. The Purchase Consideration will be satisfied via the issuance of 107,000,000 new ordinary shares in Denko and 925,104,348 rights of allotment of new Denko Shares at an issue price of RM1.15 each.

In conjunction with the Proposed Acquisition, Oregon Technology Sdn Bhd, a company 99.99% owned by Dato' Sri Foo Chee Juan and being a designee of the Vendors to receive part of their Denko Shares and/ or Rights of Allotment (as the case may be) pursuant to the Proposed Acquisition, shall undertake a proposed placement of up to 232,000,000 Denko Shares to be issued arising from the exercise of such number of the Rights of Allotment, to third party investors to be identified. Further details of the Proposed Acquisition are set out in the announcement dated 21 November 2017.

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PART A
SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARDS (MFRSs) 134
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017

(17) Significant Related Parties Transactions

	6 months ended 30.09.2017 (Unaudited) RM'000
Revenue	
- Supply of plastic parts	3,117
Expenses	
- Purchase of raw materials	94

(18) Profit for the period

		INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
		3 months ended		6 months ended	
		30 September			
		2017	2016	2017	2016
		(Unaudited)		(Unaudited)	
		RM'000			
(i)	Other income including investment income	39	31	93	121
(ii)	Interest expense	(407)	(273)	(754)	(518)
(iii)	Depreciation	(942)	(1,164)	(1,938)	(2,273)
(iv)	(Provision) / Reversal of provision for receivables / (Bad Debts written off)	21	-	21	105
(v)	Decrease/(Increase) in Provision for slow moving inventories and Stocks written off	(388)	849	(864)	126
(vi)	(Loss) / Gain on disposal of quoted or unquoted investment or properties	34	(194)	35	1,949
(viii)	Write off/Impairment of assets	(1)	-	(1)	-
(vii)	Foreign exchange gain/ (Loss)	87	274	(83)	643

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

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DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017

(19) Review of Current Quarter Performance

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	3 months ended		6 months ended	
	30-Sep			
	2017	2016	2017	2016
(Unaudited)		(Unaudited)		
RM'000				
<u>Segment Revenue</u>				
Manufacturing	28,355	21,318	55,591	43,882
Trading (Consumer Goods)	595	1,475	1,147	2,915
Sub-Total (Operating Entities)	28,950	22,793	56,738	46,797
Investment holding	-	-	-	2,800
Total revenue including inter-segment sales	28,950	22,793	56,738	49,597
Elimination of inter-segment transactions	0	(90)	56	(2,890)
Total Revenue	28,950	22,703	56,794	46,707
<u>Segment Results</u>				
Manufacturing	844	139	(702)	170
Trading (Consumer Goods)	(547)	7	(1,306)	573
Sub-Total (Operating Entities)	297	146	(2,008)	743
Management services	(3)	(3)	(7)	(6)
Investment holding	(103)	(128)	(202)	2,539
Total Profit before taxation including inter-segment Profit/(Loss)	192	15	(2,216)	3,276
Elimination of inter-segment transactions	88	(9)	274	(2,809)
Profit /(Loss) Before Taxation	279	6	(1,943)	467

PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017

Current Quarter vs Prior Year Same Quarter Comparison

(a) Revenue

The Group's revenue registered an increase by RM6.2 million (+27.5%) in the current quarter under review to RM28.9 million (Q2-FY17: RM22.7 million). The increases in Revenue were due to the factors as below:

(i) Manufacturing Division

This Division was the main driver to the Revenue increase during the current quarter by recorded an increase of RM7.0 million (+33%) to RM28.3 million (Q2-FY17: RM21.3 million).

The Revenue increase was attributed to higher sales in Plastic Parts Sub Segment by RM6.7 million (+35%) to RM25.5 million (Q2-FY17: RM18.8 million), contributed by the subsidiary in Malaysia. The Revenue increase was mainly due to an increase in high material content products sales to a customer.

In addition, the tooling sub segment also recorded higher sales in the current quarter of RM300,000 to RM2.3 million (Q2-FY17: RM2 million) due to an increase in completed projects during the quarter.

(ii) Trading (Consumer Goods) Division

The Revenue from Trading (Consumer Goods) Division reduced by RM900,000 (-60%) to approximately RM600,000 in Q2-FY18 (Q2-FY17: RM1.5 million) mainly attributed to seasonal factors resulting in lower demand for chocolate products.

(b) Profit/(Loss) Before Taxation

In the current quarter, the Group's Net Profit Before Taxation improved by RM273,000 (+4550%) to RM279,000 (Q2-FY17: RM6,000). The favourable variances were attributed to the combination of the following reasons:

(i) Manufacturing Division

This Division recorded a higher Profit Before Tax of RM710,000 to approximately RM850,000 (Q2-FY17: RM140,000). The improved performance was mainly attributed by a reduction in the Gross Loss suffered by tooling sub segment in Malaysia, coupled with improved Gross profit at 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 SECOND QUARTER ENDED 30 SEPTEMBER 2017

Current Quarter vs. Prior Year Same Quarter Comparison

(b) Profit/(Loss) Before Taxation

(ii) Trading (Consumer Goods) Division

In view of the drop in Revenue during the current quarter, this Division had recorded an unfavourable variance of approximately RM554,000 to record a Loss Before Tax amounting to RM547,000 (Q2-FY17: Profit RM7,000).

(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 receive any dividend income (Q2-FY17: Nil).

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PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017

(20) Comparison with Immediate Preceding Quarter's Results

	INDIVIDUAL QUARTER	
	3 months ended	
	30.09.2017	30.06.2017
	(Unaudited)	
	RM'000	
<u>Segment Revenue</u>		
Manufacturing	28,355	27,236
Trading (Consumer Goods)	595	552
Sub-Total (Operating Entities)	28,950	27,788
Investment holding	-	-
Total revenue including inter-segment sales	28,950	27,788
Elimination of inter-segment transactions	0	56
Total revenue	28,950	27,844
<u>Segment Results</u>		
Manufacturing	844	(1,546)
Trading (Consumer Goods)	(547)	(759)
Sub-Total (Operating Entities)	297	(2,305)
Management services	(3)	(4)
Investment holdings	(103)	(99)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	192	(2,408)
Elimination of inter-segment transactions	88	186
Profit / (Loss) before taxation	279	(2,222)

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

PART B
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS
OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017

Current Quarter vs Previous Quarter comparison

(a) **Revenue**

The Group recorded an increase of RM1.1 million in Revenue (+3.9%) for the current quarter to RM28.9 million (Q1-FY18: RM27.8 million).

(i) **Manufacturing Division**

This Division's Revenue increased by RM1.1 million (+4.1%) to RM28.3 million (Q1-FY18: RM27.2 million). The favorable variances in Revenue was mainly contributed by Tooling Sub Segment in Malaysia in which its revenue increased by RM1.1 million to RM2.3 million (Q1-FY18: RM1.2 million) as contributed jointly by the projects awarded in Q1-FY18 and also from projects commenced in last financial year that were completed and recognised to Revenue in the current quarter.

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

During the current quarter, a marginal increase of RM45,000 in Revenue in this Division to RM595,000 (Q1-FY18: RM552,000). The Revenue was at par as there was no new products being introduced and returns of goods from previous financial year's sales remain high.

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

During the current quarter, the Group's Profit Before Taxation increased by RM2.5 million (+113 %) to approximately RM300,000 (Q1-FY18: Loss RM2.2 million).

(i) **Manufacturing Division**

The turnaround in Profit Before Tax by RM2.4 million to approximately RM900,000 (Q1-FY18: Loss RM1.5 million) mainly attributed by improved gross profit in both plastic part and tooling sub segments that resulted from lower material consumption.

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OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017

Current Quarter vs Previous Quarter comparison

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

Loss Before Tax for this Division was narrowed by RM210,000 (-28%) to RM550,000 (Q1-FY18: Loss RM760,000). The improved performance was mainly due to higher portion of sales return in regards to previous year's sales were taken up in Q1-FY18 whereas the remaining returns continue to be taken up in the current 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 (Q1-FY18: Nil).

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OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2017

(21) Current Year Prospects

For the six months period to 30 September 2017, the Group recorded a Loss Before Taxation of RM1.9 million compared to a Profit Before Taxation of approximately RM500,000 in the preceeding year, an unfavourable variance of RM2.4 million.

For the Manufacturing division, lower output in both plastic part and tooling sub segment, coupled with higher raw material consumption had adversely impacted the performance in this Division. The management had started the aggressive rectification strategy of cost control, work force restructuring and upgrading of machinery, whereby a numbers of new injection moulding machines had been installed to improve efficiency and output. These efforts are in preparation for an expected increase in orders over the subsequent quarters and beyond. The Company will then be able to increase revenue and capitalize on economies of scale to reduce costs and improve profitability.

At the Trading (Consumer Goods) Division, it is unlikely that the Division will be able to generate a huge turnaround to recover the losses accumulated for the past 6 months up to 30 September 2017. Notwithstanding, the management will continue to try to source for new distributionship, to increase the range of products and to improve the logistic and warehousing in order to improve the Division's performance.

In FY18, the Group's focus is on the building of capacity and improvement of efficiency as well as penetrating new orders.

(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 30-Sep			CUMULATIVE QUARTERS 6 months ended 30-Sep	
	2017	2016		2017	2016
	(Unaudited)			(Unaudited)	
	RM'000			RM'000	
In respect of current period					
-Malaysian income tax	10	24	15	24	
-Deferred tax	-	-	-	-	
	10	24	15	24	

(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 SECOND QUARTER ENDED 30 SEPTEMBER 2017

(25) Group Borrowings

Details of the unaudited Group borrowings as at 30 September 2017 are as follows:

Type of borrowing	Short term	Long term	Total
	Secured		
	RM'000		
Bank Overdraft	1,895	-	1,895
Bills Payable and Bankers Acceptance	6,979	-	6,979
Revolving Credit	5,000	-	5,000
Hire Purchase Creditors	1,528	2,852	4,380
Term Loans	1,286	6,574	7,860
TOTAL	16,688	9,426	26,114

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 2017	590	6,296	5,000	5,150	7,383	24,419
Drawdown	1,305	683	-	-	679	2,667
Repayment	-	-	-	(770)	(202)	(972)
As at end of period 30 September 2017	1,895	6,979	5,000	4,380	7,860	26,114

(26) Material Litigation

There were no material litigation reported in this current quarter.

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OF BURSA MALAYSIA FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 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 30-Sep		CUMULATIVE QUARTERS 6 months ended 30-Sep	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Profit/(Loss) attributable to ordinary equity holders of the parent (RM'000)	269	(18)	(1,958)	443
Weighted average number of ordinary shares in issue (RM'000)	104,469	104,469	104,469	104,469
Basic profit/(Loss) per share for period (sen):	0.26	(0.02)	(1.87)	0.42

(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 SECOND QUARTER ENDED 30 SEPTEMBER 2017

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

	As at 30.09.2017 (Unaudited) RM'000
Total Accumulated Losses of the Group	
- Realised	10,156
- Unrealised	5,299
Total Group Accumulated Losses as per Consolidated Unaudited Financial Statements	15,455

(31) Authorised for Issue

These Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 21 November 2017.

BY ORDER OF THE BOARD

Yong May Li (LS 0000295)

Wong Chee Yin (MAICSA 7023530)

Santhi A/P Saminathan (MIA 37094)

Company Secretaries