



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

**QUARTERLY ANNOUNCEMENT
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED
30 SEPTEMBER 2007**

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

FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2007

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

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2007

	Note	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
		30.09.2007 (Unaudited) RM'000	30.09.2006 (Unaudited) RM'000	30.09.2007 (Unaudited) RM'000	30.09.2006 (Unaudited) RM'000
Revenue	4	39,846	30,683	69,435	52,713
Cost of sales		(31,692)	(24,599)	(57,471)	(43,759)
Gross profit		<u>8,154</u>	<u>6,084</u>	<u>11,964</u>	<u>8,954</u>
Other operating income		848	1,773	1,394	2,743
Gain on deconsolidation of a subsidiary company		-	-	4,476	-
Marketing and distribution costs		(1,069)	(1,485)	(1,737)	(2,620)
Administration expenses		(3,797)	(3,237)	(6,449)	(5,075)
Other operating expenses		<u>153</u>	<u>(582)</u>	<u>(1,589)</u>	<u>(785)</u>
Profit from operations		4,289	2,553	8,059	3,217
Finance costs		(922)	(845)	(1,779)	(1,685)
Share of loss of an associate		<u>(1)</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
Profit before taxation	4	3,366	1,708	6,274	1,532
Taxation	22	<u>(236)</u>	<u>(296)</u>	<u>(522)</u>	<u>(552)</u>
Profit for the period		<u>3,130</u>	<u>1,412</u>	<u>5,752</u>	<u>980</u>
Attributable to:					
Equity holders of the Parent		<u>3,130</u>	<u>1,412</u>	<u>5,752</u>	<u>980</u>
Earnings per ordinary share attributable to equity holders of the parent					
Basic earnings per ordinary share (sen)	30	<u>3.02</u>	<u>1.46</u>	<u>5.56</u>	<u>1.02</u>
Fully diluted earnings/(loss) per ordinary share (sen)	31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements.

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

CONDENSED CONSOLIDATED BALANCE SHEETS
FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2007

	Note	AS AT 30.09.2007 (Unaudited) RM'000	AS AT 31.03.2007 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		88,465	75,767
Prepaid land lease payments		6,242	6,313
Investment in an associated company		7	13
Securities available for sale	24	*	*
Total non-current assets		94,714	82,093
Current assets			
Inventories		18,138	18,060
Trade and other receivables		33,160	23,315
Current tax assets		2,076	3,264
Fixed deposits with licensed banks		741	756
Cash and bank balances		974	1,708
Total current assets		55,089	47,103
TOTAL ASSETS		149,803	129,196
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		103,526	103,526
Reserves	16	5,985	5,985
Accumulated losses		(69,673)	(75,425)
Total equity		39,838	34,086
Non-current liabilities			
Long term borrowings	26	19,646	15,323
Deferred tax liabilities		8,372	8,092
Total non-current liabilities		28,018	23,415
Current liabilities			
Trade and other payables	17	44,255	35,082
Short term borrowings	26	37,692	32,148
Total current liabilities		81,947	67,230
Liabilities directly associated with assets classified as held for sale		-	4,465
Total liabilities		109,965	95,110
TOTAL EQUITY AND LIABILITIES		149,803	129,196
Net assets per share attributable to equity holders of the parent (RM)		0.3848	0.3293

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2007 (UNAUDITED)

	Attributable to equity holders of the parent					Total
	Share Capital	-----Non-distributable----- Share Premium	Revaluation Reserves	Equity Component of RCLS	Accumulated Losses	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2007	103,526	3,136	2,112	737	(75,425)	34,086
Net profit for the period	-	-	-	-	5,752	5,752
At 30 September 2007	103,526	3,136	2,112	737	(69,673)	39,838

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2006 (UNAUDITED)

	Attributable to equity holders of the parent						Accumulated Losses	Total
	-----Non-distributable-----							
	Share Capital	Share Premium	Revaluation Reserves	Reserve on Consolidation	Equity Component of RCSLS	Irredeemable Convertible Unsecured Loan Stock		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2006	95,325	3,136	4,577	442	737	7,906	(78,542)	33,581
Prior year adjustment								
Effects of adopting -FRS 3	-	-	-	(442)	-	-	442	-
At 1 April 2006, restated	95,325	3,136	4,577	-	737	7,906	(78,100)	33,581
ICULS interest	-	-	-	-	-	-	(147)	(147)
Net income and expenses recognised directly in equity	-	-	-	-	-	-	(147)	(147)
Net profit for the period	-	-	-	-	-	-	980	980
Total recognised income and expenses for the period	-	-	-	-	-	-	833	833
Conversion of ICULS	2,021	-	-	-	-	(2,021)		-
At 30 September 2006	97,346	3,136	4,577	-	737	5,885	(77,267)	34,414

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2007

	Note	Period to date	
		30.09.2007 (Unaudited) RM'000	30.09.2006 (Unaudited) RM'000
Net cash generated from operating activities		5,183	6,419
Net cash used in investing activities		(15,785)	(5,226)
Net cash from/(used in) financing activities		<u>8,580</u>	<u>(685)</u>
Net (decrease)/increase in cash and cash equivalents		(2,022)	508
Cash and cash equivalents as at beginning of financial period		<u>(4,190)</u>	<u>(6,798)</u>
Cash and cash equivalents as at end of financial period		<u>(6,212)</u>	<u>(6,290)</u>
*Cash and cash equivalents at the end of the financial period comprise the followings:			
Fixed deposits with licensed banks		741	715
Cash and bank balances		974	581
Bank overdrafts	26	<u>(7,186)</u>	<u>(6,871)</u>
		(5,471)	(5,575)
Less: Fixed deposits pledged to licensed banks		<u>(741)</u>	<u>(715)</u>
		<u>(6,212)</u>	<u>(6,290)</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements.

PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134

(1) Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (FRSs) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2007. These explanatory notes attached to the interim financial statements provides an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2007.

(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 2007.

To date the Company has adopted those new and revised FRSs that are mandatory for annual periods beginning on or after 1 January 2006 and 1 October 2006, except for the adoption of the following/revised FRS effective for financial period beginning 1 January 2007:

- FRS 6 Exploration for and Evaluation of Mineral Resources

The Board of Directors do not anticipate that the application of these standards when they are effective will have a material impact on the result and financial position of the Group.

The Group has not adopted FRS 139 - Financial Instruments: Recognition and Measurement where its effective date has been deferred to a date to be announced by Malaysian Accounting Standards Board (MASB).

(3) Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 March 2007 was not qualified.

(4) Segmental Reporting

The Group's operations comprise of the following business segments:

Manufacturing	:	Manufacture and sales of consumer and industrial products
Trading	:	Wholesaler/retailer of foodstuff and marketing of sport-wear
Property rental	:	Rental of property
Investment holdings & others	:	Investment holdings, dormant and inactive companies

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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134

(4) Segmental Reporting (Cont'd)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.09.2007 (Unaudited) RM'000	30.09.2006 (Unaudited) RM'000	30.09.2007 (Unaudited) RM'000	30.09.2006 (Unaudited) RM'000
<u>Segment Revenue</u>				
Manufacturing	34,175	25,524	59,512	42,993
Trading	6,179	5,272	11,157	10,045
Property rental	-	-	-	-
Investment holdings & others	636	690	1,314	1,380
Total revenue including inter-segment sales	40,990	31,486	71,983	54,418
Elimination of inter-segment sales	(1,144)	(803)	(2,548)	(1,705)
Total revenue	39,846	30,683	69,435	52,713
<u>Segment Results</u>				
Manufacturing	2,832	1,945	3,224	1,023
Trading	186	(577)	(137)	(1,049)
Property rental	(66)	(1)	(196)	12
Investment holdings & others	735	(633)	(454)	1,912
	3,687	734	2,437	1,898
Eliminations	(320)	974	3,843	(366)
Share of loss of an associate	(1)	-	(6)	-
Profit before taxation	3,366	1,708	6,274	1,532

There is no geographical segmental analysis as the operations of the Group are conducted within Malaysia.

All inter segment transactions within the Group have been entered and established on terms and conditions that are not materially different from that entered with unrelated parties.

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

There 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

There were no significant changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that have a material effect in the current quarter.

(7) Comments about Seasonal or Cyclical Factors

The business operations of the Group's performance were not significantly affected by any seasonal and cyclical factors.

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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134

(8) Dividend Paid

There was no dividend paid for the 2nd quarter ended 30th September 2007.

(9) Valuations of Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without amendment from the financial statements for the year ended 31 March, 2007.

(10) Debt and Equity Securities

The Group did not undertake any other issuance and/or repayment of debt and equity securities, share cancellations, shares held as treasury and resale of treasury shares for current quarter.

(11) Changes in the Composition of the Group

There was no change in the composition of the Group during the current quarter.

(12) Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2007 are as follows:

	RM'000
Approved by the Directors and contracted for	2,657
Authorised by the Directors but not contracted	4,323
	<hr/>
	6,980
	<hr/>

(13) Changes in Contingent liabilities and Contingent assets

There were no changes to the contingent liabilities or assets of the Group since the last audited financial statements.

(14) Material Subsequent Events

There were no other material events subsequent to the end of the current quarter, except for:

- (a) On 3 October 2007, an amount of RM4,500,000 of the total outstanding of RM5,443,033 of the Redeemable Convertible Secured Loan Stock ("RCSLS") was settled by way of cash. The remaining RCSLS balance of RM943,033 was settled by way of converting into 943,033 new ordinary shares of the Company, at par value of RM1 each. The new ordinary shares were granted for listing on 25 October 2007.
- (b) On 12 November 2007, the Board of Directors of a wholly owned subsidiary, Denko-HLB Marketing (M) Sdn. Bhd. (DHLBM) has decided to wind-up DHLBM under the provision of Companies Act, 1965, via presenting a petition to the High Court of Malaya, Johor Bahru, Johor.
- (c) On 19 November 2007, the wholly owned subsidiary, WSP Plastic Industry Sdn. Bhd. has entered into a Sale and Purchase Agreement with a third party to dispose its leasehold land and building with net book value of RM4,992,213 for a cash consideration of RM5.1 million. The proceeds will be used to settle its borrowing.

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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134

(15) Significant Related Parties Transactions

	6 Months ended 30.09.2007 (Unaudited) RM
Companies related by common directors:	
-Sub contractor fees paid/payable	351,606
-Professional fees paid/payables	125,838
-Rental paid to the brother of a director	<u>54,000</u>

The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favourable to the Group and the Company than those arranged with independent of third parties

(16) Reserves

	As at 30.09.2007 (Unaudited) RM'000	As at 31.03.2007 (Audited) RM'000
Non distributable:		
Share premium	3,136	3,136
Revaluation reserves	2,112	2,112
Redeemable convertible secured loan stocks (RCSLS)	737	737
	<u>5,985</u>	<u>5,985</u>

(17) Trade and Other Payables

	As at 30.09.2007 (Unaudited) RM'000	As at 31.3.2007 (Audited) RM'000
Trade creditors	17,062	16,076
Other creditors and accruals	20,011	13,590
Amount due to an associated company	13	13
Provision for corporate guarantees	7,109	5,285
Amounts owing to directors	60	118
	<u>44,255</u>	<u>35,082</u>

Provision for corporate guarantees

Provision for corporate guarantees are made for potential obligation arising from the corporate guarantees given by the Company to a financial institution for banking facilities granted to former subsidiaries companies namely Skiva Holding Sdn. Bhd. and New Height Marketing Sdn. Bhd..

Amounts owing to directors

Amounts owing to directors represent accruals for directors' fees and allowances payable for the current and previous financial year which are unsecured and interest free.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(18) Review of Current Quarter Performance

The Group's revenue increased approximately by RM9.163 million or 29.86%, from RM30.683 million in the same quarter in the preceding financial period ended 30 September 2006 to RM39.846 million in this quarter. The increase in revenue is due to increase in production as a result of the introduction of new products for manufacturing in the current and previous quarter.

The Group's performance improved from a pre tax profit of RM1.708 million in the same quarter in the preceding financial year to a pretax profit of RM3.366 million for the current quarter. The increase in profit is mainly due to improved margins secured on the new products manufactured and higher demand in manufacturing sector.

(19) Comparison with Immediate Preceding Quarter's Results

The Group achieved revenue of RM39.846 million for the quarter under review. This represents a significant increase of RM10.257 million in revenue or 34.66 % higher than that of its previous quarter. The group registered a profit before tax of RM3.366 million as compared to the preceding quarter ended 30 June 2007 when it registered a profit before tax of RM2.908 million. The increase in profit is due to improved margins and higher demand in manufacturing sector.

(20) Current Year Prospects

The Group's main contribution would continue to be from the manufacturing segment. The other segments have shown certain improvements and will be continuously monitored in order to improve their performances. The directors are hopeful that the Group's performance for the rest of the financial period is expected to improve.

(21) Profit Forecast and Profit Guarantee

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

There are no further developments on the outstanding profit guarantee as reported in the Audited Financial Statements for the year ended 31 March 2007.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(22) Taxation

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30.09.2007 (Unaudited) RM'000	30.09.2006 (Unaudited) RM'000	30.09.2007 (Unaudited) RM'000	30.09.2006 (Audited) RM'000
	In respect of current period			
-Malaysian income tax	(106)	(146)	(242)	(252)
-Deferred tax	(130)	(150)	(280)	(300)
	<u>(236)</u>	<u>(296)</u>	<u>(522)</u>	<u>(552)</u>

The Group's effective tax rate for the current quarter and financial period-to-date was lower than the statutory tax rate mainly due to availability of unutilised tax losses and unabsorbed capital allowances respectively by certain subsidiary companies.

(23) Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and properties in the current quarter under review.

(24) Securities Available For Sale

There was no purchase of quoted security for the financial period ended 30 September 2007. Details of securities available for sale as at 30 September 2007 are as follows:

	As at 30.09.2007 (Unaudited) RM	As at 31.03.2007 (Audited) RM
Included within securities available-for-sale:		
Unquoted shares, at realisable value	<u>2</u>	<u>1</u>

(25) Status of Corporate Proposals

There were no corporate proposals announced or completed as at the date of this announcement.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(26) Group Borrowings and Debt Securities:

Details of the unaudited Group borrowings and debt securities as at 30 September 2007 are as follows:

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Debt securities and other borrowings</u>						
Redeemable Convertible Secured Loan Stocks (RCCLS)	843	-	843	4,354	-	4,354
Bank Overdrafts	-	-	-	6,894	292	7,186
Bills Payable and Bankers Acceptance	-	-	-	15,389	-	15,389
Short Term payable	-	-	-	6,444	-	6,444
Hire Purchase payable	4,462	-	4,462	4,319	-	4,319
Long Term payable	14,341	-	14,341	-	-	-
TOTAL	19,646	-	19,646	37,400	292	37,692

(27) Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at the date of this announcement.

(28) Material Litigation

There are no new and additional developments on the outstanding legal cases of the Company and its subsidiaries reported in this current quarter.

(29) Dividend Payable

The Directors do not recommend any interim dividend in the current quarter.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

(30) Basic Earnings Per Ordinary Share

The basic earnings per ordinary share of the Group are calculated by dividing the net profit 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		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.09.2007 (Unaudited) RM'000	30.09.2006 (Unaudited) RM'000	30.09.2007 (Unaudited) RM'000	30.09.2006 (Audited) RM'000
Profit attributable to ordinary equity holders of the parent	3,130	1,412	5,752	980
Weighted average number of ordinary shares in issue ('000)	103,526	96,687	103,526	96,010
Basic earnings per share for (sen):	3.02	1.46	5.56	1.02

(31) Fully Diluted Earnings/(Loss) Per Ordinary Share

Fully diluted earnings/(loss) per ordinary share for the current period was not presented as there was an anti-dilutive effect on the conversion of RCSLS and ICULS to ordinary shares.

(32) Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 29 November 2007.