



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

**INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED
30 JUNE 2010**

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

FOR THE FIRST QUARTER ENDED 30 JUNE 2010

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 JUNE 2010

	Note	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
		30.06.2010 (Unaudited) RM'000	30.06.2009 (Unaudited) RM'000	30.06.2010 (Unaudited) RM'000	30.06.2009 (Unaudited) RM'000
Revenue	4	27,664	29,157	27,664	29,157
Cost of sales		(24,937)	(28,780)	(24,937)	(28,780)
Gross profit		<u>2,727</u>	<u>377</u>	<u>2,727</u>	<u>377</u>
Other operating income		428	520	428	520
Marketing and distribution costs		(921)	(1,144)	(921)	(1,144)
Administration expenses		(2,123)	(2,094)	(2,123)	(2,094)
Other operating expenses		(972)	(149)	(972)	(149)
Loss from operations		<u>(861)</u>	<u>(2,490)</u>	<u>(861)</u>	<u>(2,490)</u>
Finance costs		(662)	(831)	(662)	(831)
Loss before taxation	4	<u>(1,523)</u>	<u>(3,321)</u>	<u>(1,523)</u>	<u>(3,321)</u>
Taxation	21	<u>-</u>	<u>(54)</u>	<u>-</u>	<u>(54)</u>
Loss for the period		<u>(1,523)</u>	<u>(3,375)</u>	<u>(1,523)</u>	<u>(3,375)</u>
Attributable to:					
Equity holders of the Parent					
Loss per ordinary share attributable to equity holders of the parent		<u>(1,523)</u>	<u>(3,375)</u>	<u>(1,523)</u>	<u>(3,375)</u>
Basic loss per ordinary share (sen)	29	<u>(1.46)</u>	<u>(3.23)</u>	<u>(1.46)</u>	<u>(3.23)</u>
Fully diluted profit/(loss) per ordinary share (sen)	30	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE FIRST QUARTER ENDED 30 JUNE 2010

	Note	AS AT 30.06.2010 (Unaudited) RM'000	AS AT 31.03.2010 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		71,452	74,197
Prepaid land lease payments		2,946	2,965
Total non-current assets		74,398	77,162
Current assets			
Inventories		12,536	13,965
Trade and other receivables		20,849	21,866
Current tax assets		2,295	2,295
Cash and cash equivalents		4,485	3,568
Total current assets		40,165	41,694
TOTAL ASSETS		114,563	118,856
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		104,469	104,469
Reserves	16	3,162	3,162
Accumulated losses		(69,575)	(68,052)
Total equity		38,056	39,579
Non-current liabilities			
Long term borrowings	25	20,225	21,856
Other payables		7,013	6,966
Deferred tax liabilities		4,143	4,143
Total non-current liabilities		31,381	32,965
Current liabilities			
Trade and other payables		24,048	26,463
Short term borrowings	25	21,078	19,849
Total current liabilities		45,126	46,312
Total liabilities		76,507	79,277
TOTAL EQUITY AND LIABILITIES		114,563	118,856
Net assets per share attributable to equity holders of the parent (RM)		0.3643	0.3789

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
Incorporated in Malaysia
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2010

	Attributable to equity holders of the parent				Total
	Share Capital	-----Non-distributable----- Share Premium	Revaluation Reserves	Accumulated Losses	
	RM'000	RM'000	RM'000	RM'000	
At 1 April 2010	104,469	3,136	26	(68,052)	39,579
Net loss for the period	-	-	-	(1,523)	(1,523)
At 30 June 2010	104,469	3,136	26	(69,575)	38,056
At 1 April 2009	104,469	3,136	26	(67,473)	40,158
Net loss for the period	-	-	-	(3,375)	(3,375)
At 30 June 2009	104,469	3,136	26	(70,848)	36,783

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE FIRST QUARTER ENDED 30 JUNE 2010

	Note	Period to date	
		30.06.2010 (Unaudited) RM'000	30.06.2009 (Unaudited) RM'000
Net cash generated from/(used in) operating activities		1,258	(2,894)
Net cash from investing activities		480	188
Net cash used in financing activities		(697)	(363)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		1,041	(3,069)
Cash and cash equivalents as at beginning of financial period		1,897	(495)
		<hr/>	<hr/>
Cash and cash equivalents as at end of financial period		<u>2,938</u>	<u>(3,564)</u>
*Cash and cash equivalents at the end of the financial period comprise the followings:			
Fixed deposits with licensed banks		1,547	1,547
Bank overdrafts	25	-	(4,519)
Cash and bank balances		2,938	955
		<hr/>	<hr/>
		4,485	(2,017)
Less: Fixed deposits pledged to licensed banks		(1,547)	(1,547)
		<hr/>	<hr/>
		<u>2,938</u>	<u>(3,564)</u>

The Unaudited Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FIRST QUARTER ENDED 30 JUNE 2010

(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 2010. 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 2010.

(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 2010 except for the application of the followings:

FRS 101, presentation of Financial Statements

Entity to present, in a statement of changes in equity, and all owner changes in equity. All owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

When entity restated its comparative figures in financial statements or retrospectively applies a new accounting policy, a statement of financial position must be presented as at the beginning of the earliest comparative period in a complete set of financial statements.

Entity must disclose amount reclassified to profit or loss that were previously recognised in other comprehensive income and the income tax relating to each component of other comprehensive income, either in the statement of comprehensive income or in the notes; and

New terminologies will replace 'balance sheet' with 'statement of financial position' and 'cash flow statement' with 'statement of cash flows'.

This standard does not have any impact on the financial position and results of the Group.

FRS 117 Leases

The Group is currently in the process of assessing the impact of this amendment.

(3) Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 March 2010 was not qualified.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FIRST QUARTER ENDED 30 JUNE 2010

(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
Management services	:	Provision of Management services
Investment holdings & others	:	Investment holdings, dormant and inactive companies

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	30.06.2010 (Unaudited) RM'000	30.06.2009 (Unaudited) RM'000	30.06.2010 (Unaudited) RM'000	30.06.2009 (Unaudited) RM'000
<u>Segment Revenue</u>				
Manufacturing	19,698	21,909	19,698	21,909
Trading	8,039	7,292	8,039	7,292
Management services	356	323	356	323
Investment holdings & others	-	-	-	-
Total revenue including inter-segment sales	28,093	29,524	28,093	29,524
Elimination of inter-segment sales	(429)	(367)	(429)	(367)
Total revenue	27,664	29,157	27,664	29,157

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	30.06.2010 (Unaudited) RM'000	30.06.2009 (Unaudited) RM'000	30.06.2010 (Unaudited) RM'000	30.06.2009 (Unaudited) RM'000
<u>Segment Results</u>				
Manufacturing	(973)	(3,482)	(973)	(3,482)
Trading	(54)	138	(54)	138
Management services	128	118	128	118
Investment holdings & others	(476)	184	(476)	184
	(1,375)	(3,042)	(1,375)	(3,042)
Eliminations	(148)	(279)	(148)	(279)
Loss before taxation	(1,523)	(3,321)	(1,523)	(3,321)

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.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FIRST QUARTER ENDED 30 JUNE 2010

(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.

(8) Dividend Paid

There was no dividend paid for the 1st quarter ended 30 June 2010.

(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 2010.

(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) Commitments

(a) Capital commitments

There is no outstanding commitment for purchase of property, plant and equipment as at 30 June 2010.

(b) Non-Cancellable Operating Lease Commitment

Minimum operating lease commitment payable
- not later than one year
- later than one year but not later than five years

**As at
30.06.2010
(Unaudited)
RM'000**

39

61

100

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING
STANDARDS (FRSs) 134 - FOR THE FIRST QUARTER ENDED 30 JUNE 2010**

(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 except for the following:

The Company had provided corporate guarantee to financial institutions on behalf of a former subsidiary, CWSP Plastic Industry Sdn. Bhd. (formerly known as WSP Plastic Industry Sdn. Bhd.), the outstanding liability to the said financial institution is approximately RM2.795 million.

(14) Material Subsequent Events

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

(15) Significant Related Parties Transactions

	3 Months ended 30.06.2010 (Unaudited) RM'000
-Sub contractor fees paid/payable	<u>391</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 third parties.

(16) Reserves

	As at 30.06.2010 (Unaudited) RM'000	As at 31.03.2010 (Audited) RM'000
Non distributable:		
Share premium	3,136	3,136
Revaluation reserves	<u>26</u>	<u>26</u>
	<u>3,162</u>	<u>3,162</u>

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FIRST QUARTER ENDED 30 JUNE 2010

(17) Review of Current Quarter Performance

The Group's revenue decreased approximately by RM1.493 million or 5.12%, from RM29.157 million in the same quarter in the preceding financial period ended 30 June 2009 to RM27.664 million in this quarter. The decrease in revenue is due to decrease in demand for electronic and electrical in the current quarter.

The gross margin of the Group improved, the Group incurred a loss of RM1.523 million as compared a loss of RM3.375 million in the same quarter in the preceding financial year.

(18) Comparison with Immediate Preceding Quarter's Results

The Group achieved revenue of RM27.664 million for the quarter under review compared to RM28.583 million achieved for the preceding quarter. This represents a decrease of RM919 thousand or 3.22% lower than the revenue achieved in the previous quarter. The group registered a pre tax loss of RM1.523 million in the current quarter as compared to the preceding quarter ended 31 March 2010 when it registered a profit before tax of RM842 thousand which includes gain on deconsolidation of subsidiary companies amounting to RM1.607 million.

(19) Current Year Prospects

The Group is expected to perform better in the financial year ending 31 March 2011. The Group will continue to take measures to improve its performance.

(20) Profit Forecast and Profit Guarantee

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

(21) Taxation

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	30.06.2010 (Unaudited) RM'000	30.06.2009 (Unaudited) RM'000	30.06.2010 (Unaudited) RM'000	30.06.2009 (Unaudited) RM'000
In respect of current period				
-Malaysian income tax	-	(54)	-	(54)
-Deferred tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(54)	-	(54)

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FIRST QUARTER ENDED 30 JUNE 2010

(22) Sale of Unquoted Investments and/or Properties

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

(23) Quoted securities

There was no purchase or disposal of quoted securities for the current quarter under review.

(24) Status of Corporate Proposals

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

(25) Group Borrowings

Details of the unaudited Group borrowings as at 30 June 2010 are as follows:

Type of borrowing	Short term borrowings	Long term borrowings	Total borrowings
	Secured	Secured	Secured
	RM'000	RM'000	RM'000
Bank Overdrafts	-	-	-
Bills Payable and Bankers Acceptance	11,909	-	11,909
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	2,995	5,038	8,033
Term Loans	4,174	15,187	19,361
TOTAL	21,078	20,225	41,303

(26) Off Balance Sheet Financial Instruments

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

(27) Material Litigation

There are no new development and additional litigation reported in this current quarter.

(28) Dividend Payable

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

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FIRST QUARTER ENDED 30 JUNE 2010

(29) Basic Loss Per Ordinary Share

The basic loss per ordinary share of the Group are calculated by dividing the net 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		CUMULATIVE QUARTER 3 months ended	
	30.06.2010 (Unaudited)	30.06.2009 (Unaudited)	30.06.2010 (Unaudited)	30.06.2009 (Unaudited)
Loss attributable to ordinary equity holders of the parent (“000”)	(1,523)	(3,375)	(1,523)	(3,375)
Weighted average number of ordinary shares in issue (“000”)	104,469	104,469	104,469	104,469
Basic loss per share for period/year (sen):	<u>(1.46)</u>	<u>(3.23)</u>	<u>(1.46)</u>	<u>(3.23)</u>

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

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

(31) Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 27 August 2010.