



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

**INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 SEPTEMBER 2010**

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

FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		6 months ended	
		30.09.2010 (Unaudited) RM'000	30.09.2009 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000	30.09.2009 (Unaudited) RM'000
Revenue	4	29,398	30,425	57,062	59,582
Cost of sales		(24,619)	(25,717)	(49,556)	(54,497)
Gross profit		4,779	4,708	7,506	5,085
Other operating income		375	33	803	553
Marketing and distribution costs		(895)	(1,000)	(1,816)	(2,144)
Administration expenses		(2,141)	(1,683)	(4,264)	(3,777)
Other operating expenses		(483)	(171)	(1,455)	(320)
Profit/(Loss) from operations		1,635	1,887	774	(603)
Finance costs		(736)	(838)	(1,398)	(1,669)
Profit/(Loss) before taxation	4	899	1,049	(624)	(2,272)
Taxation	20	(248)	54	(248)	-
Profit/(Loss) for the period		651	1,103	(872)	(2,272)
Attributable to:					
Equity holders of the Parent					
Profit/(Loss) per ordinary share attributable to equity holders of the parent		651	1,103	(872)	(2,272)
Basic profit/(loss) per ordinary share (sen)	28	0.62	1.06	(0.83)	(2.17)
Fully diluted profit/(loss) per ordinary share (sen)	29	-	-	-	-

The Unaudited Condensed Consolidated Statement 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 STATEMENT OF FINANCIAL POSITION
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

	Note	AS AT 30.09.2010 (Unaudited) RM'000	AS AT 31.03.2010 (Audited) (Restated) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	2(ii)	72,106	77,162
Current assets			
Inventories		12,273	13,965
Trade and other receivables		22,188	21,866
Current tax assets		1,904	2,295
Cash and cash equivalents		3,789	3,568
Total current assets		40,154	41,694
TOTAL ASSETS		112,260	118,856
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		104,469	104,469
Reserves		3,162	3,162
Accumulated losses		(68,924)	(68,052)
Total equity		38,707	39,579
Non-current liabilities			
Long term borrowings	24	18,439	21,856
Other payables		5,399	6,966
Deferred tax liabilities		4,001	4,143
Total non-current liabilities		27,839	32,965
Current liabilities			
Trade and other payables		26,307	26,463
Short term borrowings	24	19,407	19,849
Total current liabilities		45,714	46,312
Total liabilities		73,553	79,277
TOTAL EQUITY AND LIABILITIES		112,260	118,856
Net assets per share attributable to equity holders of the parent (RM)		0.3705	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 STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

	Attributable to equity holders of the parent				Total
	Share Capital	Share Premium	Revaluation Reserves	Accumulated Losses	
	RM'000	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	-	-	-	(872)	(872)
At 30 September 2010	104,469	3,136	26	(68,924)	38,707
At 1 April 2009	104,469	3,136	26	(67,473)	40,158
Net loss for the period	-	-	-	(2,272)	(2,272)
At 30 September 2009	104,469	3,136	26	(69,745)	37,886

The Unaudited Condensed Consolidated Statement 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 STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2010

	Note	Period to date	
		30.09.2010 (Unaudited) RM'000	30.09.2009 (Unaudited) RM'000
Net cash generated from/(used in) operating activities		4,256	(4,304)
Net cash from investing activities		626	2,591
Net cash used in financing activities		(4,540)	(1,855)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		342	(3,568)
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		2,239	(4,063)
		<hr/>	<hr/>
*Cash and cash equivalents at the end of the financial period comprise the followings:			
Fixed deposits with licensed banks		1,550	1,552
Bank overdrafts	24	-	(4,406)
Cash and bank balances		2,239	343
		<hr/>	<hr/>
		3,789	(2,511)
Less: Fixed deposits pledged to licensed banks		(1,550)	(1,552)
		<hr/>	<hr/>
		2,239	(4,063)
		<hr/>	<hr/>

The Unaudited Condensed Consolidated Statement 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 SECOND QUARTER ENDED 30 SEPTEMBER 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 8: Operating Segment

FRS 8 replaces FRS 114²⁰⁰⁴: Segment reporting and requires a "management approach", under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position and results of the Group.

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

(2) Changes in Accounting Policies (Cont'd)

FRS 117: Leases (Amendments to FRSs 'Improvements to FRSs (2009)

Prior to the adoption of the Amendments to FRS 117, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. The consideration paid were classified and presented as prepaid land lease payments in the Statement of Financial Position. Following the amendment to FRS 117, the classification of leasehold land has been changed as operating or finance lease is based on the extent to which risks and rewards incident to ownership lie.

Accordingly, the Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS117. At 1 April 2009, the unamortised amount of leasehold land is retained as surrogate carrying amount of property, plant and equipment as allowed by the transitional provisions. This change in classification has no effect to the profit or loss of current period ended 30 September 2010 or comparative prior period except for this change has been applied retrospectively on Statements of Financial Position.

The details of the effects of the reclassification on the Statement of Financial Position are as follows:

(i) Effects on Statements of Financial Position as at 30 September 2010:

	Increase/ (Decrease) RM'000
Property, plant and equipment	37.5
Prepaid land lease payments	<u>(37.5)</u>

(ii) Restatements of comparatives as at 31 March 2010

	As previously stated RM'000	Adjustment FRS117 RM'000	Restated RM'000
Property, plant and equipment	74,197	2,965	77,162
Prepaid land lease payments	<u>2,965</u>	<u>(2,965)</u>	<u>-</u>

(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.

(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

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

(4) Segmental Reporting (Cont'd)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.09.2010 (Unaudited) RM'000	30.09.2009 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000	30.09.2009 (Unaudited) RM'000
<u>Segment Revenue</u>				
Manufacturing	21,985	22,794	41,683	44,703
Trading	7,449	7,711	15,488	15,003
Management services	374	352	730	675
Investment holdings & others	-	-	-	-
Total revenue including inter-segment sales	29,808	30,857	57,901	60,381
Elimination of inter-segment sales	(410)	(432)	(839)	(799)
Total revenue	29,398	30,425	57,062	59,582

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		6 months ended	
	30.09.2010 (Unaudited) RM'000	30.09.2009 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000	30.09.2009 (Unaudited) RM'000
<u>Segment Results</u>				
Manufacturing	1,037	1,594	64	(1,888)
Trading	133	670	79	808
Management services	187	(4)	315	114
Investment holdings & others	19	412	(457)	596
	1,376	2,672	1	(370)
Eliminations	(477)	(1,623)	(625)	(1,902)
Profit/(Loss) before taxation	899	1,049	(624)	(2,272)

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.

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

(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 2nd quarter ended 30 September 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

The details of capital expenditure in respect of purchase of property, plant and equipment as at 30 September 2010 is:

	As at 30.09.2010 (Unaudited) RM'000
- contracted but not provided	<u>2,309</u>
<i>(b) Non-Cancellable Operating Lease Commitment</i>	
	As at 30.09.2010 (Unaudited) RM'000
Minimum operating lease commitment payable	
- not later than one year	39
- later than one year but not later than five years	<u>51</u>
	<u>90</u>

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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 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., the outstanding liability to the said financial institution is approximately RM2.54 million.

(14) Material Subsequent Events

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

(15) Significant Related Parties Transactions

	6 Months ended 30.09.2010 (Unaudited) RM'000
-Rental of machinery receivable	283
-Sub contractor fees paid/payable	<u>1,812</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.

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

(16) Review of Current Quarter Performance

The Group's revenue decreased approximately by RM1.027 million or 3.38%, from RM30.425 million in the same quarter in the preceding financial period ended 30 September 2009 to RM29.398 million in this quarter.

Despite improved margin, the Group recorded a smaller profit before taxation of RM899 thousand for the current quarter ended of 30 September 2010 as compared to a profit of RM1.049 million in the same quarter in the preceding financial year as result of allowances of doubtful debts recognised for quarter under review.

(17) Comparison with Immediate Preceding Quarter's Results

The Group achieved revenue of RM29.398 million for the quarter under review compared to RM27.664 million achieved for the preceding quarter. This represents an increase of RM1.734 million or 6.27% higher than the revenue achieved in the previous quarter. The group registered a pre tax profit of RM899 thousand in the current quarter as compared to the preceding quarter ended 30 June 2010 when it registered a loss before tax of RM1.523 million. The improved result was due to reduction in average operating expenditure for the quarter under review.

(18) Current Year Prospects

Although the industry continues to face many challenges, the management in taking every effort to improve the performance of the Group for the financial year ending 31st March 2011.

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

(19) Profit Forecast and Profit Guarantee

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

(20) Taxation

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30.09.2010 (Unaudited) RM'000	30.09.2009 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000	30.09.2009 (Unaudited) RM'000
In respect of current period				
-Malaysian income tax	(390)	54	(390)	-
-Deferred tax	142	-	142	-
	(248)	54	(248)	-

(21) Sale of Unquoted Investments and/or Properties

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

(22) Quoted securities

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

(23) Status of Corporate Proposals

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

(24) Group Borrowings

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

Type of borrowing	Short term borrowings	Long term borrowings	Total borrowings
	Secured	Secured	Secured
	RM'000	RM'000	RM'000
Bills Payable and Bankers Acceptance	10,220	-	10,220
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	2,951	4,304	7,255
Term Loans	4,236	14,135	18,371
TOTAL	19,407	18,439	37,846

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

(25) Off Balance Sheet Financial Instruments

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

(26) Material Litigation

There are no new development and additional litigation reported in this current quarter except for the following:

High Court of Malay of Kuala Lumpur Suit No.: D22-NCC-1981-2010
Teknik Datasaab Sdn. Bhd. ("Plaintiff") and
Denko Industrial Corporation Berhad. ("Defendant")

On 5th April 2010 Denko had won a Profit Guarantee claim of RM3,000,000.00 together with cost and interest and has not received the said sum as of to date. However, Teknik Datasaab Sdn Bhd ("the Plaintiff") is now claiming that they are the rightful recipient of the said Profit Guarantee instead of Denko. Consequently a Writ of Summons and Statement of Claims of RM3,000,000.00 was served against Denko. Accordingly, the Board has appointed Messrs. YH Teh & Quek to advise and act on this matter immediately.

(27) Dividend Payable

The Directors do not recommend any interim dividend in 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		CUMULATIVE QUARTER 6 months ended	
	30.09.2010 (Unaudited)	30.09.2009 (Unaudited)	30.09.2010 (Unaudited)	30.09.2009 (Unaudited)
Profit/(Loss) attributable to ordinary equity holders of the parent ("000")	651	1,103	(872)	(2,272)
Weighted average number of ordinary shares in issue ("000")	104,469	104,469	104,469	104,469
Basic profit/(loss) per share for period/year (sen):	0.62	1.06	(0.83)	(2.17)

(29) 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.

(30) Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 25 November 2010.