



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

**INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED  
31 DECEMBER 2010**

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

**FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010**

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
<b>UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>1</b>
<b>UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>2</b>
<b>UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>3</b>
<b>UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>4</b>
<b>PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134</b>	<b>5-9</b>
<b>PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA</b>	<b>10-12</b>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010**

	Note	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
		31.12.2010 (Unaudited) RM'000	31.12.2009 (Unaudited) RM'000	31.12.2010 (Unaudited) RM'000	31.12.2009 (Unaudited) RM'000
Revenue	4	31,449	28,952	88,511	88,534
Cost of sales		(26,194)	(25,808)	(75,750)	(80,305)
Gross profit		<u>5,255</u>	<u>3,144</u>	<u>12,761</u>	<u>8,229</u>
Other operating income		601	248	1,404	801
Gain on deconsolidation of a subsidiary company		-	1,193	-	1,193
Marketing and distribution costs		(958)	(1,131)	(2,774)	(3,275)
Administration expenses		(2,395)	(2,208)	(6,659)	(5,985)
Other operating expenses		(1,567)	49	(3,022)	(271)
Profit from operations		<u>936</u>	<u>1,295</u>	<u>1,710</u>	<u>692</u>
Finance costs		(640)	(729)	(2,038)	(2,398)
Profit/(Loss) before taxation	4	<u>296</u>	<u>566</u>	<u>(328)</u>	<u>(1,706)</u>
Taxation	20	<u>139</u>	<u>(67)</u>	<u>(109)</u>	<u>(67)</u>
<b>Profit/(Loss) for the period</b>		<u><b>435</b></u>	<u><b>499</b></u>	<u><b>(437)</b></u>	<u><b>(1,773)</b></u>
Attributable to:					
Equity holders of the Parent					
<b>Profit/(Loss) per ordinary share attributable to equity holders of the parent</b>		<u><b>435</b></u>	<u><b>499</b></u>	<u><b>(437)</b></u>	<u><b>(1,773)</b></u>
Basic profit/(loss) per ordinary share (sen)	28	<u>0.42</u>	<u>0.48</u>	<u>(0.42)</u>	<u>(1.70)</u>
Fully diluted profit/(loss) per ordinary share (sen)	29	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 THIRD QUARTER ENDED 31 DECEMBER 2010**

	Note	AS AT 31.12.2010 (Unaudited)  RM'000	AS AT 31.03.2010 (Audited) (Restated) RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2(i)	69,897	77,162
<b>Current assets</b>			
Inventories		13,311	13,965
Trade and other receivables		20,569	21,866
Current tax assets		2,235	2,295
Cash and cash equivalents		5,740	3,568
Total current assets		41,855	41,694
<b>TOTAL ASSETS</b>		<b>111,752</b>	<b>118,856</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		104,469	104,469
Reserves		3,162	3,162
Accumulated losses		(68,489)	(68,052)
<b>Total equity</b>		<b>39,142</b>	<b>39,579</b>
<b>Non-current liabilities</b>			
Long term borrowings	24	16,576	21,856
Other payables		4,671	6,966
Deferred tax liabilities		4,001	4,143
Total non-current liabilities		25,248	32,965
<b>Current liabilities</b>			
Trade and other payables		26,231	26,463
Short term borrowings	24	21,131	19,849
Total current liabilities		47,362	46,312
<b>Total liabilities</b>		<b>72,610</b>	<b>79,277</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>111,752</b>	<b>118,856</b>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>		<b>0.3747</b>	<b>0.3789</b>

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 THIRD QUARTER ENDED 31 DECEMBER 2010**

	Attributable to equity holders of the parent				Total
	-----Non-distributable-----		Revaluation Reserves	Accumulated Losses	
	Share Capital	Share Premium			
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 April 2010</b>	104,469	3,136	26	(68,052)	39,579
Net loss for the period	-	-	-	(437)	(437)
<b>At 31 December 2010</b>	104,469	3,136	26	(68,489)	39,142
<b>At 1 April 2009</b>	104,469	3,136	26	(67,473)	40,158
Net loss for the period	-	-	-	(1,773)	(1,773)
<b>At 31 December 2009</b>	104,469	3,136	26	(69,246)	38,385

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)**  
**Incorporated in Malaysia**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010**

	Note	Period to date	
		31.12.2010 (Unaudited) RM'000	31.12.2009 (Unaudited) RM'000
Net cash generated from/(used in) operating activities		6,880	(384)
Net cash from investing activities		577	1,408
Net cash used in financing activities		(5,193)	(4,565)
Net increase/(decrease) in cash and cash equivalents		2,264	(3,541)
Cash and cash equivalents as at beginning of financial period		1,897	(495)
Cash and cash equivalents as at end of financial period		4,161	(4,036)
*Cash and cash equivalents at the end of the financial period comprise the followings:			
Fixed deposits with licensed banks		1,579	1,542
Bank overdrafts	24	-	(4,241)
Cash and bank balances		4,161	205
Less: Fixed deposits pledged to licensed banks		(1,579)	(1,542)
		4,161	(4,036)

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.

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

**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE THIRD QUARTER ENDED 31 DECEMBER 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, 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 114<sup>2004</sup>: 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.

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

**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 31 December 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) Restatements of comparatives as at 31 March 2010

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

**(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



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

**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010**

**(4) Segmental Reporting (Cont'd)**

	<b>INDIVIDUAL QUARTER 3 months ended</b>		<b>CUMULATIVE QUARTER 9 months ended</b>	
	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	<b>(Unaudited) RM'000</b>	<b>(Unaudited) RM'000</b>	<b>(Unaudited) RM'000</b>	<b>(Unaudited) RM'000</b>
<b><u>Segment Revenue</u></b>				
Manufacturing	22,428	21,813	64,111	66,516
Trading	9,112	7,222	24,600	22,225
Management services	446	354	1,176	1,029
Investment holdings & others	1,900	-	1,900	-
Total revenue including inter-segment sales	33,886	29,389	91,787	89,770
Elimination of inter-segment sales	(2,437)	(437)	(3,276)	(1,236)
Total revenue	31,449	28,952	88,511	88,534

	<b>INDIVIDUAL QUARTER 3 months ended</b>		<b>CUMULATIVE QUARTER 9 months ended</b>	
	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
	<b>(Unaudited) RM'000</b>	<b>(Unaudited) RM'000</b>	<b>(Unaudited) RM'000</b>	<b>(Unaudited) RM'000</b>
<b><u>Segment Results</u></b>				
Manufacturing	1,347	(1,096)	1,411	(2,984)
Trading	203	340	282	1,148
Management services	287	195	602	309
Investment holdings & others	1,440	(688)	983	(92)
	3,277	(1,249)	3,278	(1,619)
Eliminations	(2,981)	1,815	(3,606)	(87)
Profit/(Loss) before taxation	296	566	(328)	(1,706)

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)**  
**Incorporated in Malaysia**

**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 3<sup>rd</sup> quarter ended 31 December 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 31 December 2010 is:

	<b>As at 31.12.2010 (Unaudited) RM'000</b>
- contracted but not provided	<u>2,681</u>
 <i>(b) Non-Cancellable Operating Lease Commitment</i>	
	<b>As at 31.12.2010 (Unaudited) RM'000</b>
Minimum operating lease commitment payable	
- not later than one year	39
- later than one year but not later than five years	<u>45</u>
	<u>84</u>

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

**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING  
STANDARDS (FRSs) 134 - FOR THE THIRD QUARTER ENDED 31 DECEMBER 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 RM2.63 million.

**(14) Material Subsequent Events**

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

**(15) Significant Related Parties Transactions**

	<b>9 Months ended 31.12.2010 (Unaudited) RM'000</b>
-Rental of machinery receivable	452.8
-Sub contractor fees paid/payable	2,471.4
	<hr/>

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 THIRD QUARTER ENDED 31 DECEMBER 2010**

**(16) Review of Current Quarter Performance**

The Group's revenue increased approximately by RM2.497 million or 8.62%, from RM28.952 million in the same quarter in the preceding financial period ended 31 December 2009 to RM31.449 million in this quarter.

Despite the improved revenue and gross profit margin for the quarter under review, the Group registered a profit before taxation of RM296 thousand for quarter ended 31 December 2010 as compared to a profit of RM566 thousand in the same quarter in the preceding financial year. The decline in profit is due to the allowance for doubtful debts of RM1.361 million recognised in this quarter.

**(17) Comparison with Immediate Preceding Quarter's Results**

The Group achieved revenue of RM31.449 million for the quarter under review compared to RM29.398 million achieved for the preceding quarter. This represents an increase of RM2.051 million or 6.98% higher than the revenue achieved in the previous quarter.

Despite the improved revenue and gross profit margin for the quarter under review, the Group registered a lower pre tax profit of RM296 thousand for the quarter as compared to the preceding quarter ended 30 September 2010 when it registered a profit before tax of RM899 thousand. The result for the current quarter was affected by the allowance for doubtful debts of RM1.361 million as compared to the previous quarter.

**(18) Current Year Prospects**

The industry continues to face many challenges. Nevertheless, the management is continuing its efforts to improve and streamline its operations and thereby minimising its losses for the financial year ending 31 March 2011.

**(19) Profit Forecast and Profit Guarantee**

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

**(20) Taxation**

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
	31.12.2010 (Unaudited) RM'000	31.12.2009 (Unaudited) RM'000	31.12.2010 (Unaudited) RM'000	31.12.2009 (Unaudited) RM'000
In respect of current period				
-Malaysian income tax	139	(67)	33	(67)
-Deferred tax	-	-	(142)	-
	<u>139</u>	<u>(67)</u>	<u>(109)</u>	<u>(67)</u>

**(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.

**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 THIRD QUARTER ENDED 31 DECEMBER 2010**

**(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 31 December 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 overdraft	-	-	-
Bills Payable and Bankers Acceptance	11,913	-	11,913
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	2,963	3,569	6,532
Term Loans	4,255	13,007	17,262
<b>TOTAL</b>	<b>21,131</b>	<b>16,576</b>	<b>37,707</b>

**(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 5<sup>th</sup> April 2010 Denko 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 act on this case.

**(27) Dividend Payable**

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

**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 THIRD QUARTER ENDED 31 DECEMBER 2010**

**(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 9 months ended	
	31.12.2010 (Unaudited)	31.12.2009 (Unaudited)	31.12.2010 (Unaudited)	31.12.2009 (Unaudited)
Profit/(Loss) attributable to ordinary equity holders of the parent ("000")	435	499	(437)	(1,773)
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):	0.42	0.48	(0.42)	(1.70)

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

	As at 31.12.2010 (Unaudited) RM'000	As at 30.09.2010 (Unaudited) RM'000
Total accumulated losses of the Group		
- Realised	(62,042)	(63,917)
- Unrealised	(6,447)	(5,007)
Total Group accumulated losses as per consolidated financial statements	(68,489)	(68,924)

**(31) Authorised for issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 28 February 2010.