



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

**INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED
31 MARCH 2011**

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

FOR THE FOURTH QUARTER ENDED 31 MARCH 2011

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 31 MARCH 2011**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		3 months ended		12 months ended	
		31.03.2011 (Unaudited) RM'000	31.03.2010 (Unaudited) RM'000	31.03.2011 (Unaudited) RM'000	31.03.2010 (Audited) RM'000
Revenue	4	25,004	28,583	113,515	117,117
Cost of sales		(20,699)	(24,865)	(96,449)	(105,170)
Gross profit		4,305	3,718	17,066	11,947
Other income		1,783	2,872	3,187	4,866
Marketing and distribution costs		(859)	(1,019)	(3,633)	(4,294)
Administration expenses		(2,509)	(2,525)	(9,168)	(8,510)
Other operating expenses		(509)	(1,494)	(3,531)	(1,764)
Profit from operations		2,211	1,552	3,921	2,245
Finance costs		(632)	(711)	(2,670)	(3,109)
Profit/(Loss) before taxation	4	1,579	841	1,251	(864)
Taxation	20	(660)	353	(769)	285
Profit/(Loss) net of tax for the period		919	1,194	482	(579)
Other comprehensive income					
Realisation of revaluation reserve		(26)	-	(26)	-
Revaluation of land and building		5,373	-	5,373	-
Transferred to deferred tax		(1,255)	-	(1,255)	-
Other comprehensive income for the year, net of tax		4,092	-	4,092	-
Total comprehensive income/(expenses)		5,011	1,194	4,574	(579)
Attributable to:					
Profit/(Loss) per ordinary share attributable to equity holders of the parent		919	1,194	482	(579)
Total comprehensive income/(expenses) attributable to equity holders of the parent		5,011	1,194	4,574	(579)
Basic profit/(loss) per ordinary share (sen)	28	0.88	1.14	0.46	(0.55)
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 FOURTH QUARTER ENDED 31 MARCH 2011

	Note	AS AT 31.03.2011 (Unaudited) RM'000	AS AT 31.03.2010 (Audited) (Restated) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	2(i)	72,795	77,162
Current assets			
Inventories		12,266	13,965
Trade and other receivables		19,197	21,866
Current tax assets		2,182	2,295
Cash and cash equivalents		3,348	3,568
Total current assets		36,993	41,694
Non-current assets held for sale	21	784	-
TOTAL ASSETS		<u>110,572</u>	<u>118,856</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		104,469	104,469
Reserves		7,254	3,162
Accumulated losses		(67,570)	(68,052)
Total equity		<u>44,153</u>	<u>39,579</u>
Non-current liabilities			
Long term borrowings	24	14,800	21,856
Other payables		3,787	6,966
Deferred tax liabilities		5,784	4,143
Total non-current liabilities		<u>24,371</u>	<u>32,965</u>
Current liabilities			
Trade and other payables		22,748	26,463
Short term borrowings	24	19,026	19,849
Total current liabilities		41,774	46,312
Liabilities directly associated with non-current assets classified as held for sale	21	274	-
Total liabilities		<u>66,419</u>	<u>79,277</u>
TOTAL EQUITY AND LIABILITIES		<u>110,572</u>	<u>118,856</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>0.4226</u>	<u>0.3789</u>

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)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH QUARTER ENDED 31 MARCH 2011

	Attributable to equity holders of the parent				Total
	-----Non-distributable-----			Accumulated	
	Share Capital	Share Premium	Revaluation Reserves		
RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 April 2010	104,469	3,136	26	(68,052)	39,579
Total comprehensive income for the year	-	-	4,092	482	4,574
At 31 March 2011	104,469	3,136	4,118	(67,570)	44,153
At 1 April 2009	104,469	3,136	26	(67,473)	40,158
Total comprehensive income for the year	-	-	-	(579)	(579)
At 31 March 2010	104,469	3,136	26	(68,052)	39,579

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 FOURTH QUARTER ENDED 31 MARCH 2011

	Note	Period to date	
		31.03.2011 (Unaudited) RM'000	31.03.2010 (Audited) RM'000
Net cash generated from operating activities		9,451	6,761
Net cash (used in)/from investing activities		(366)	5,257
Net cash used in financing activities		(9,313)	(9,626)
		<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents		(228)	2,392
Cash and cash equivalents as at beginning of financial period		1,897	(495)
		<u> </u>	<u> </u>
Cash and cash equivalents as at end of financial period		<u>1,669</u>	<u>1,897</u>
*Cash and cash equivalents at the end of the financial period comprise the followings:			
Fixed deposits with licensed banks		1,582	1,564
Bank overdrafts	24	(97)	(107)
Cash and bank balances		1,766	2,004
		<u> </u>	<u> </u>
Less: Fixed deposits pledged to licensed banks		(1,582)	(1,564)
		<u> </u>	<u> </u>
		<u>1,669</u>	<u>1,897</u>

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 FOURTH QUARTER ENDED 31 MARCH 2011

(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 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 FOURTH QUARTER ENDED 31 MARCH 2011

(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 March 2011 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

	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	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

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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FOURTH QUARTER ENDED 31 MARCH 2011

(4) Segmental Reporting (Cont'd)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		12 months ended	
	31.03.2011 (Unaudited) RM'000	31.03.2010 (Unaudited) RM'000	31.03.2011 (Unaudited) RM'000	31.03.2010 (Audited) RM'000
<u>Segment Revenue</u>				
Manufacturing	18,223	20,081	82,334	86,597
Trading	6,847	8,556	31,447	30,781
Management services	356	432	1,532	1,461
Investment holdings & others	-	700	1,900	700
Total revenue including inter-segment sales	25,426	29,769	117,213	119,539
Elimination of inter-segment sales	(422)	(1,186)	(3,698)	(2,422)
Total revenue	25,004	28,583	113,515	117,117

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		12 months ended	
	31.03.2011 (Unaudited) RM'000	31.03.2010 (Unaudited) RM'000	31.03.2011 (Unaudited) RM'000	31.03.2010 (Audited) RM'000
<u>Segment Results</u>				
Manufacturing	2,492	(647)	3,903	(3,631)
Trading	276	320	558	1,469
Management services	159	158	761	467
Investment holdings & others	(3,714)	6,853	(2,731)	6,761
	(787)	6,684	2,491	5,066
Eliminations	2,366	(5,843)	(1,240)	(5,930)
Profit/(Loss) before taxation	1,579	841	1,251	(864)

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.

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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FOURTH QUARTER ENDED 31 MARCH 2011

(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 4th quarter ended 31 March 2011.

(9) Valuations of Property, Plant and Equipment

During the period under review, the valuation on land and buildings were performed in compliance with the Company's accounting policies and accordingly registered a valuation surplus of RM4,118 million net of deferred tax liabilities.

(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 except for:

On 29 March 2011, the Company disposed its entire shareholdings in a subsidiary, Eromax Industries Sdn. Bhd., for a cash consideration of RM1. This has given rise to a gain on disposal of subsidiary which amounted to RM66 thousand.

(12) Commitments

(a) Capital commitments

The details of capital expenditure in respect of purchase of property, plant and equipment as at 31 March 2011 is:

	As at 31.03.2011 (Unaudited) RM'000
- Authorised but not contracted	50.90
- contracted but not provided	45.60
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	96.50
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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FOURTH QUARTER ENDED 31 MARCH 2011

(12) Commitments (Cont'd)

(b) Non-Cancellable Operating Lease Commitment

	As at 31.03.2011 (Unaudited) RM'000
Minimum operating lease commitment payable	
- not later than one year	39
- later than one year but not later than five years	32
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(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 RM2.57 million.

(14) Material Subsequent Events

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

(15) Significant Related Parties Transactions

	12 Months ended 31.03.2011 (Unaudited) RM'000
-Rental of machinery receivable	622.60
-Sub contractor fees paid/payable	2,444.00
	<hr/>

The above transactions are entered in the ordinary course of business and established under negotiated and mutually agreed terms.

(16) Review of Current Quarter Performance

The Group's revenue decreased approximately by RM3.579 million or 12.52% from RM28,583 million in the same quarter in the preceding financial period ended 31 March 2010 to RM25,004 million in this quarter.

The Group registered a profit before taxation of RM1.579 million for quarter ended 31 March 2011 as compared to a profit of RM841 thousand in the same quarter in the preceding financial year, as a result of improved gross margin and general decline in operating expenditures.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2011

(17) Comparison with Immediate Preceding Quarter's Results

The Group achieved revenue of RM25.004 million for the current quarter under review compared to RM31.449 million achieved for the preceding quarter. This represents a decrease of RM6.445 million or 20.49% lower than the revenue achieved in the previous quarter.

Despite the drop in revenue for the quarter under review, the Group registered a higher pre-tax profit of RM1.579 million for the quarter as compared to the preceding quarter ended 31 December 2010 when it registered a profit before tax of RM296 thousand. The result for the previous quarter was affected by the allowance for doubtful debts of RM1.361 million as compared to the current quarter.

(18) Current Year Prospects

The industry continues to face many challenges. However, with the continuous efforts to improve and streamline its operations, the management is cautiously optimistic to register positive results for the financial year ending 31 March 2012.

(19) Profit Forecast and Profit Guarantee

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

(20) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		12 months ended	
	31.03.2011 (Unaudited) RM'000	31.03.2010 (Unaudited) RM'000	31.03.2011 (Unaudited) RM'000	31.03.2010 (Audited) RM'000
In respect of current period				
-Malaysian income tax	115	(26)	148	(94)
-Deferred tax	(775)	379	(917)	379
	<u>(660)</u>	<u>353</u>	<u>(769)</u>	<u>285</u>

(21) Sale of Unquoted Investments and/or Properties

On 15 March 2011, the Group entered into a Sale and Purchase Agreement with a third party to dispose off one of its freehold land and building for a cash consideration of RM900,000 and the transaction is expected to be completed within three (3) months from the agreement date. In view of this, the asset and its corresponding liabilities have been reclassified and presented as "Non-current assets held for sale" and "Liabilities directly associated with non-current assets classified as held for sale", in compliance with FRS 5.

(22) Quoted securities

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

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2011

(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 March 2011 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	97	-	97
Bills Payable and Bankers Acceptance	9,935	-	9,935
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	2,934	2,878	5,812
Term Loans	4,060	11,922	15,982
TOTAL	19,026	14,800	33,826

(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 Datasab Sdn. Bhd. ("Plaintiff") and
Denko Industrial Corporation Berhad. ("Defendant")

On 5th 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 Datasab 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.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FOURTH QUARTER ENDED 31 MARCH 2011

(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 12 months ended	
	31.03.2011 (Unaudited)	31.03.2010 (Unaudited)	31.03.2011 (Unaudited)	31.03.2010 (Audited)
Profit/(Loss) attributable to ordinary equity holders of the parent ("000")	919	1,194	482	(579)
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):	0.88	1.14	0.46	(0.55)

(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 31.03.2011 (Unaudited) RM'000
Total accumulated losses of the Group	
- Realised	(60,318)
- Unrealised	(7,252)
Total Group accumulated losses as per consolidated financial statements	(67,570)

(31) Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 31 May 2011.