



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

**INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED
30 SEPTEMBER 2011**

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

FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2011

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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 2011

	Note	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
		30.09.2011 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000	30.09.2011 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000
Revenue	4	19,366	29,398	38,528	57,062
Cost of sales		(18,200)	(24,619)	(36,592)	(49,556)
Gross profit		<u>1,166</u>	<u>4,779</u>	<u>1,936</u>	<u>7,506</u>
Other income		317	375	694	803
Marketing and distribution costs		(670)	(895)	(1,382)	(1,816)
Administration expenses		(2,065)	(2,141)	(3,959)	(4,264)
Other operating expenses		(1,978)	(483)	(2,691)	(1,455)
Profit/(Loss) from operations		<u>(3,230)</u>	<u>1,635</u>	<u>(5,402)</u>	<u>774</u>
Finance costs		(600)	(736)	(1,202)	(1,398)
Profit/(Loss) before taxation	4	<u>(3,830)</u>	<u>899</u>	<u>(6,604)</u>	<u>(624)</u>
Taxation	20	<u>(308)</u>	<u>(248)</u>	<u>(151)</u>	<u>(248)</u>
Profit/(Loss) net of tax for the period		<u>(4,138)</u>	<u>651</u>	<u>(6,755)</u>	<u>(872)</u>
Attributable to:					
Profit /(Loss) per ordinary share attributable to equity holders of the parent		<u>(4,138)</u>	<u>651</u>	<u>(6,755)</u>	<u>(872)</u>
Basic profit/(loss) per ordinary share (sen)	28	(3.96)	0.62	(6.47)	(0.83)
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 2011 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 2011

	Note	AS AT 30.09.2011 (Unaudited) RM'000	AS AT 31.03.2011 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		65,492	72,795
Current assets			
Inventories		10,191	12,266
Trade and other receivables		18,220	19,197
Current tax assets		1,970	2,182
Cash and cash equivalents		2,297	3,348
Total current assets		32,678	36,993
Non-current assets held for sale	21	-	784
TOTAL ASSETS		<u>98,170</u>	<u>110,572</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		104,469	104,469
Reserves		7,254	7,254
Accumulated losses		(74,325)	(67,570)
Total equity		<u>37,398</u>	<u>44,153</u>
Non-current liabilities			
Long term borrowings	24	12,205	14,800
Other payables		2,698	3,787
Deferred tax liabilities		5,621	5,784
Total non-current liabilities		<u>20,524</u>	<u>24,371</u>
Current liabilities			
Trade and other payables		19,856	22,748
Short term borrowings	24	20,392	19,026
Total current liabilities		40,248	41,774
Liabilities directly associated with non-current assets classified as held for sale	21	-	274
Total liabilities		<u>60,772</u>	<u>66,419</u>
TOTAL EQUITY AND LIABILITIES		<u>98,170</u>	<u>110,572</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>0.3579</u>	<u>0.4226</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 2011 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 SECOND QUARTER ENDED 30 SEPTEMBER 2011

	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
At 1 April 2011	104,469	3,136	4,118	(67,570)	44,153
Total comprehensive loss for the period	-	-		(6,755)	(6,755)
At 30 September 2011	104,469	3,136	4,118	(74,325)	37,398
At 1 April 2010	104,469	3,136	26	(68,052)	39,579
Total comprehensive loss for the period	-	-	-	(872)	(872)
At 30 September 2010	104,469	3,136	26	(68,924)	38,707

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 2011 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 2011

	Note	Period to date	
		30.09.2011 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000
Net cash (used in)/generated from operating activities		(1,334)	4,256
Net cash from investing activities		2,548	626
Net cash used in financing activities		(2,260)	(4,540)
Net (decrease)/increase in cash and cash equivalents		(1,046)	342
Cash and cash equivalents as at beginning of financial period		1,669	1,897
Cash and cash equivalents as at end of financial period		623	2,239
*Cash and cash equivalents at the end of the financial period comprise the followings:			
Fixed deposits with licensed banks		1,580	1,550
Bank overdrafts	24	(94)	-
Cash and bank balances		717	2,239
Less: Fixed deposits pledged to licensed banks		(1,580)	(1,550)
		623	2,239

The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial statements.

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 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 2011. 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 2011.

(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 2011

(3) Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 March 2011 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

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30.09.2011 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000	30.09.2011 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000
Segment Revenue				
Manufacturing	12,715	21,985	25,114	41,683
Trading	6,693	7,449	13,492	15,488
Management services	483	374	884	730
Investment holdings & others	-	-	-	-
Total revenue including inter-segment sales	19,891	29,808	39,490	57,901
Elimination of inter-segment sales	(525)	(410)	(962)	(839)
Total revenue	19,366	29,398	38,528	57,062

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 2011

(4) Segmental Reporting (Cont'd)

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 6 months ended	
	30.09.2011 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000	30.09.2011 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000
	<u>Segment Results</u>			
Manufacturing	(3,552)	1,037	(5,975)	64
Trading	5	133	(124)	79
Management services	312	187	528	315
Investment holdings & others	(595)	19	(1,033)	(457)
	<u>(3,830)</u>	<u>1,376</u>	<u>(6,604)</u>	<u>1</u>
Eliminations	-	(477)	-	(625)
Profit/(Loss) before taxation	<u>(3,830)</u>	<u>899</u>	<u>(6,604)</u>	<u>(624)</u>

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.

(8) Dividend Paid

There was no dividend paid for the 2nd quarter ended 30 September 2011.

(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 2011.

(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.

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

PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2011

(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 are:

	As at 30.09.2011 (Unaudited) RM'000
- Authorised but not contracted	-
- contracted but not provided	28
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	28
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(b) Non-Cancellable Operating Lease Commitment

	As at 30.09.2011 (Unaudited) RM'000
Minimum operating lease commitment payable	
- not later than one year	39
- later than one year but not later than five years	9
	<hr/>
	48
	<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 except for the following:

The Company had provided corporate guarantee to financial institutions on behalf of a former subsidiary, CWSP Plastic Industry Sdn. Bhd. (CWSP). During the quarter under review, CWSP disposed its secured asset, settled its obligation and is now in the midst of liquidating the said corporate guarantee.

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 2011**

(14) Material Subsequent Events

There were no material events subsequent to the end of the current quarter ended other than disclosed in Note 23.

(15) Significant Related Parties Transactions

	6 Months ended 30.09.2011 (Unaudited) RM'000
-Rental of machinery receivable	295
-Sub contractor fees paid/payable	378
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The above transactions are entered in the ordinary course of business and established under negotiated and mutually agreed terms.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2011

(16) Review of Current Quarter Performance

The Group's revenue decrease approximately by RM10.032 million or 34.12% from RM29.398 million in the same quarter in the preceding financial period ended 30 September 2010 to RM19.366 million in this quarter.

The Group registered a loss before taxation of RM3.830 million for quarter ended 30 September 2011 as compared to a profit before taxation of RM899 thousand on the same quarter in the preceding financial period.

The loss for the current quarter is owing to lower sales volume attributed mainly by slow order from customers due to the Tsunami effect in March 2011 and one of the customer's major projects shifted from Malaysia to China. There was an loss on disposal and impairment of plant and machinery amounting to approximately RM1.152million and RM385 thousand respectively during the current reporting quarter.

(17) Comparison with Immediate Preceding Quarter's Results

The Group achieved revenue of RM19.366 million for the quarter under review compared to RM19.162 million achieved for the preceding quarter. This represents an increase of RM204 thousand or 1.06% higher than the revenue achieved in the previous quarter.

The Group registered a pre-tax loss of RM3.830 million for the quarter as compared to the preceding quarter ended 30 June 2011 when it registered a loss before tax of RM2.774 million. The result for the current quarter was affected mainly by the factors as disclosed in Note 16 above.

(18) Current Year Prospects

The Board expects that the 3rd quarter to remain very challenging and it does not expect material improvements to the financial position of the Group for the financial year ended 31 March 2012. The Group's business environment is currently very challenging with increased number of competitors and diminishing margins.

In the meanwhile, the Company is continuing its efforts to minimise its overheads and operating cost. The Group is also exploring various other alternative ventures to improve the Group's future performance.

(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 6 months ended	
	30.09.2011 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000	30.09.2011 (Unaudited) RM'000	30.09.2010 (Unaudited) RM'000
In respect of current period				
-Malaysian income tax	(308)	(390)	(314)	(390)
-Deferred tax	-	142	163	142
	<u>(308)</u>	<u>(248)</u>	<u>(151)</u>	<u>(248)</u>

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2011

(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.

During the period under review, the sale of the freehold land and building was completed and the gain arising on its disposal of approximately RM118 thousand was recognised in the current quarter.

(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 except for:

On 28 July 2011 and 8 August 2011 the Company had announced a multiple corporate proposals as follows:

- i. Proposed Par Value Reduction
- ii. Proposed Share Premium Reduction
- iii. Proposed M&A amendments; and
- iv. Proposed Private Placement

The Board had proposed private placement up to 15,670,328 ordinary shares after the Proposed Par Value Reduction from RM1.00 to RM0.50 per ordinary share and Proposed Share Premium Reduction, representing up to 15% of the total issued and paid-up share capital of the Company of 104,468,853 ordinary shares, to investor(s) to be identified at an issue price to be determined by the Board at later date.

Barring unforeseen circumstances, the Board expects these Proposals to be completed in the 1st quarter of 2012.

Please read the said announcement for further details.

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2011

(24) Group Borrowings

Details of the unaudited Group borrowings as at 30 September 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	94	-	94
Bills Payable and Bankers Acceptance	11,681	-	11,681
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	2,911	1,890	4,801
Term Loans	3,706	10,315	14,021
TOTAL	20,392	12,205	32,597

(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:

- (i) Kuala Lumpur High Court of Malaya, Civil Suit No. D8-22-1609-05
Parties: Denko Industrial Corporation Berhad ("Plaintiff") v Gigantic Innovations Sdn Bhd ("First Defendant") and Thangarajoo a/l Vyran ("Second Defendant")

The High Court on 5 April 2010 has delivered a decision in favour of the Plaintiff to claim the balance of Profit Warranty of RM3,000,000 together with interest and cost. However, pursuant to an appeal filed by the Defendants, the Court of Appeal had reversed the decision of the High Court and allowed the Defendants' appeal on 27 July 2011. The Board has appointed Solicitors to act on this case. The Plaintiff's solicitor is currently in the midst of making an application for leave to the Federal Court against the decision of the Court of Appeal.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2011

(26) Material Litigation (Cont'd)

- (ii) Kuala Lumpur High Court of Malaya, Civil Suit No. S7-22-1132-2005
 Parties: Denko Industrial Corporation Berhad (“Plaintiff”) v Abdul Jalil Bin Jalil Bin Dato’ Haji Mohd Nasir (“First Defendant”), Md Hasnan Bin Sidek (“Second Defendant”), Chang Seong Heng (“Third Defendant”), Hoi Kuan Yok (“Fourth Defendant”), Lim Geok Choo (“Fifth Defendant”) and Lim Buck Chooi (“Sixth Defendant”)

The High Court had on 30 October 2009 delivered a decision in favour of the Plaintiff to claim the balance of Profit Warranty of RM5,000,000 together with the interest and costs against the First, Second, Third, Fifth and Sixth Defendant and no judgement was entered against the Fourth Defendant. The First and Sixth Defendant had been declared bankrupt. The Insolvency Department had approved the Plaintiff’s Proof of Debt against the Second and Third Defendant. The Fifth Defendant is a Singaporean and out of the jurisdiction of the court of Malaysia. The Plaintiff’s solicitor is currently in the midst of proceeding with bankruptcy search on the Fifth Defendant.

(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	
	30.09.2011 (Unaudited)	30.09.2010 (Unaudited)	30.09.2011 (Unaudited)	30.09.2010 (Unaudited)
Profit/(Loss) attributable to ordinary equity holders of the parent (“000”)	(4,138)	651	(6,755)	(872)
Weighted average number of ordinary shares in issue (“000”)	104,469	104,469	104,469	104,469
Basic profit/(loss) per share for period (sen):	<u>(3.96)</u>	<u>0.62</u>	<u>(6.47)</u>	<u>(0.83)</u>

(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.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA - FOR THE SECOND QUARTER ENDED 30
SEPTEMBER 2011**

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

	As at 30.09.2011 (Unaudited) RM'000
Total accumulated losses of the Group	
- Realised	(67,945)
- Unrealised	(6,380)
Total Group accumulated losses as per consolidated financial statements	<hr/> <u>(74,325)</u>

(31) 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 2011.