



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

**INTERIM FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED  
30 JUNE 2012**

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

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED 30 JUNE 2012**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 JUNE 2012**

	Note	INDIVIDUAL QUARTER 3 months ended 30 June		CUMULATIVE QUARTER 3 months ended 30 June	
		2012 (Unaudited) RM'000	2011 (Unaudited) RM'000	2012 (Unaudited) RM'000	2011 (Unaudited) RM'000
		Revenue	20	22,701	19,162
Cost of Sales		(19,356)	(18,392)	(19,356)	(18,392)
Gross Profit		3,345	770	3,345	770
Other Income		710	377	710	377
Marketing and Distribution Costs		(1,045)	(712)	(1,045)	(712)
Administration Expenses		(1,495)	(1,894)	(1,495)	(1,894)
Other Operating Expenses		(690)	(713)	(690)	(713)
Profit/(Loss) From Operations		825	(2,172)	825	(2,172)
Finance Costs		(529)	(602)	(529)	(602)
Profit/(Loss) Before Tax	20	296	(2,774)	296	(2,774)
Taxation	23	149	157	149	157
Profit/ (Loss) net of tax for the period		445	(2,617)	445	(2,617)
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income / (loss) attributable to equity holders of the parent</b>		<b>445</b>	<b>(2,617)</b>	<b>445</b>	<b>(2,617)</b>
Basic, profit/(loss) per ordinary share (sen)		0.43	(2.50)	0.43	(2.50)
Fully diluted profit/(loss) per ordinary share (sen)		-	-	-	-

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2012 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 FIRST QUARTER ENDED 30 JUNE 2012**

	Note	As at 30.06.2012 (Unaudited) RM'000	As at 31.03.2012 (Audited) RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	53,426	55,122
<b>Current assets</b>			
Inventories		11,356	10,572
Trade and other receivables		17,001	15,869
Current tax asset		1,363	1,859
Cash and bank balances		4,299	2,112
		34,019	30,412
Asset held for sale	24	6,866	6,866
Total current assets		40,885	37,278
<b>TOTAL ASSETS</b>		<b>94,311</b>	<b>92,400</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		104,469	104,469
Reserves		7,254	7,254
Accumulated losses		(76,313)	(76,758)
<b>Total Equity</b>		<b>35,410</b>	<b>34,965</b>
<b>Non current liabilities</b>			
Long term borrowings	25	5,264	6,324
Trade and other payables		8,480	8,895
Deferred tax liabilities		4,928	4,944
Total non-current liabilities		18,672	20,163
<b>Current Liabilities</b>			
Trade and other payables		17,295	16,362
Current tax liabilities		131	110
Short term borrowings	25	19,091	16,841
		36,517	33,313
Liabilities directly associated with assets held for sale	25	3,712	3,959
Total current liabilities		40,229	37,272
<b>Total liabilities</b>		<b>58,901</b>	<b>57,435</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>94,311</b>	<b>92,400</b>
<b>Net assets per share attributable to equity holders of the parents (RM)</b>		<b>0.3390</b>	<b>0.3347</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 2012 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 FIRST QUARTER ENDED 30 JUNE 2012**

	Attributable to equity holders of the parent				Total
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserves RM'000	Accumulated Losses RM'000	
<b>At 1 April 2012</b>	104,469	3,136	4,118	(76,758)	34,965
Total comprehensive income for the period	-	-		445	445
<b>At 30 June 2012</b>	104,469	3,136	4,118	(76,313)	35,410
<b>At 1 April 2011</b>	104,469	3,136	4,118	(67,570)	44,153
Total comprehensive loss for the period	-	-	-	(2,617)	(2,617)
<b>At 30 June 2011</b>	104,469	3,136	4,118	(70,187)	41,536

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 2012 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 FIRST QUARTER ENDED 30 JUNE 2012**

	Period to date	
	30.06.2012 (Unaudited)	30.06.2011 (Unaudited)
Note	RM'000	RM'000
<b>1. Cashflow from operating activities</b>		
<b>Profit (loss) before tax</b>	296	(2,774)
<i>Adjustment for investing and financing items not involving movement of cash and cash equivalent</i>		
Impairment for trade and other receivables	32	199
Amortisation of prepaid land lease payment	-	10
Depreciation of property, plant and equipment	1,736	2,077
Impairment losses on property plant and equipment	-	360
Loss/(Gain) on disposal of property, plant and equipment	(105)	(132)
Interest expenses	529	595
Interest income	(19)	(10)
Inventories written off / (Recovery)	49	(24)
Unrealised (gain)/loss on foreign exchange	(19)	115
	<hr/>	<hr/>
<b>Operating profit before working capital changes</b>	2,499	416
Net change in inventories	(834)	1,958
Net change in trade and other receivables	(1,178)	1,996
Net change in trade and other payables	(48)	(4,035)
Net change in amount due to directors	587	(104)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	1,026	231
Interest paid	(222)	(213)
Income tax paid	(34)	(64)
Income tax refunded	698	-
	<hr/>	<hr/>
<b>Net cash from / (used in) operating activities</b>	1,468	(46)

The Unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 March 2012 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 FIRST QUARTER ENDED 30 JUNE 2012 (continued)**

	Note	Period to date	
		30.06.2012 (Unaudited) RM'000	30.06.2011 (Unaudited) RM'000
<b>2. Cashflow from investing activities</b>			
Purchase of fixed assets		(39)	-
Decrease/(Increase) in FD pledged		(92)	-
Interest received		19	8
Proceed from disposal of fixed asset		105	-
<b>Net cash (used in) / from investing activities</b>		<u>(7)</u>	<u>8</u>
<b>3. Cashflow from financing activities</b>			
Repayment of Short term borrowing		1,107	(188)
Repayment of term loan		(812)	(1,228)
Repayment of hire purchase creditors		(710)	(225)
Interest paid		(308)	(382)
<b>Net cash used in financing activities</b>		<u>(723)</u>	<u>(2,023)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		738	(2,061)
Cash and cash equivalents as at beginning of financial period		500	1,669
Cash and cash equivalents as at end of financial period		<u>1,238</u>	<u>(392)</u>

\*Cash and cash equivalents at the end of the financial period comprise the following:

Fixed deposits with licensed banks		1,703	1,585
Cash and bank balances		2,596	283
		<u>4,299</u>	<u>1,868</u>
Bank overdrafts	25	(1,358)	(675)
		<u>2,941</u>	<u>1,193</u>
Less: Fixed deposits pledged to licensed banks		(1,703)	(1,585)
		<u>1,238</u>	<u>(392)</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 March 2012 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 FIRST QUARTER ENDED 30 JUNE 2012**

**(1) Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements for the year ended 31 March 2012. 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 2012.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2012 except for the adoption of the following Malaysia Financial Reporting Standards (“MFRS”) effective for the financial period beginning 1 April 2012:

	<b>Effective Date</b>
MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2012
MFRS 2 <i>Share-based Payment</i>	1 January 2012
MFRS 3 <i>Business Combinations</i>	1 January 2012
MFRS 4 <i>Insurance Contracts</i>	1 January 2012
MFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2012
MFRS 7 <i>Financial Instruments: Disclosures</i>	1 January 2012
MFRS 8 <i>Operating Segments</i>	1 January 2012
MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2012
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
MFRS 102 <i>Inventories</i>	1 January 2012
MFRS 107 <i>Statement of Cash Flows</i>	1 January 2012
MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2012
MFRS 110 <i>Events After the Reporting Period</i>	1 January 2012
MFRS 112 <i>Income Taxes</i>	1 January 2012
MFRS 116 <i>Property, Plant and Equipment</i>	1 January 2012
MFRS 117 <i>Leases</i>	1 January 2012
MFRS 118 <i>Revenue</i>	1 January 2012
MFRS 119 <i>Employee Benefits</i>	1 January 2012
MFRS 119 <i>Employee Benefits (revised)</i>	1 January 2012
MFRS 121 <i>The Effects of Changes in Foreign Exchange Rates</i>	1 January 2012
MFRS 123 <i>Borrowing Costs</i>	1 January 2012
MFRS 124 <i>Related Party Disclosures</i>	1 January 2012
MFRS 126 <i>Accounting and Reporting by Retirement Benefit Plans</i>	1 January 2012
MFRS 127 <i>Separate Financial Statements</i>	1 January 2012
MFRS 129 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2012
MFRS 131 <i>Interest in Joint Ventures</i>	1 January 2012
MFRS 132 <i>Financial Instruments: Presentation</i>	1 January 2012
MFRS 133 <i>Earnings Per Share</i>	1 January 2012
MFRS 134 <i>Interim Financial Reporting</i>	1 January 2012
MFRS 136 <i>Impairment of Assets</i>	1 January 2012
MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2012
MFRS 138 <i>Intangible Assets</i>	1 January 2012
MFRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2012
MFRS 140 <i>Investment Property</i>	1 January 2012
Improvements to MFRSs (2008)	1 January 2012
Improvements to MFRSs (2009)	1 January 2012
Improvements to MFRSs (2010)	1 January 2012



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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FIRST QUARTER ENDED 30 JUNE 2012**

**(1) Basis of Preparation (continued)**

The MFRSs and IC Interpretations adopted are as follows (continued):

	<b>Effective Date</b>
IC Interpretation 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 January 2012
IC Interpretation 4 <i>Determining Whether an Arrangement Contains a Lease</i>	1 January 2012
IC Interpretation 7 <i>Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyper inflationary Economies</i>	1 January 2012
IC Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	1 January 2012
IC Interpretation 13 <i>Customer Loyalty Programmes</i>	1 January 2012
IC Interpretation 14 <i>MFRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2012
IC Interpretation 18 <i>Transfers of Assets from Customers</i>	1 January 2012
IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2012
IC Interpretation 113 <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	1 January 2012
IC Interpretation 115 <i>Operating Leases - Incentives</i>	1 January 2012
IC Interpretation 125 <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	1 January 2012
IC Interpretation 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	1 January 2012
IC Interpretation 132 <i>Intangible Assets - Web Site Costs</i>	1 January 2012

The Group would adopt the following MFRS framework for the financial year ending 31 March 2013.

MFRS 9 <i>Financial Instruments</i>	1 January 2015
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 127 <i>Consolidated and Separate Financial Statements</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
<i>Mandatory Effective Date of MFRS 9 and Transition Disclosures</i>	1 January 2015

The adoption of the above MFRSs and IC Interpretations did not have any significant effects on the financial statements of the Group.

**(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 2012 except as mentioned above.

**(3) Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 March 2012 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 2012**

**(4) Segmental Reporting**

The Group's operations comprise of the following business segments:

Manufacturing  
 Trading  
 Management services  
 Investment holding

Refer Part (19) for Segment Revenue and Segment Results. 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**

Other than the Trading Division where sales will peak in the 3<sup>rd</sup> quarter of each financial year (October to December) as customers stock up for the traditional Christmas, Year End and Chinese New Year celebrations, the business operations of the Group's performance were not significantly affected by any seasonal and cyclical factors.

**(8) Property, Plant and Equipment**

	<b>CUMULATIVE QUARTER 3 months ended 30 June</b>	
	<b>2012 (Unaudited) RM'000</b>	<b>2011 (Unaudited) RM'000</b>
Balance at the beginning of period 01 April 2012	55,122	73,579
Additions	39	55
Disposals	-	(19)
Transfer to assets held for sale	-	(781)
Less: Depreciation	(1,735)	(2,058)
Less: Amortisation of prepaid lease payment	-	(10)
Less: Impairment	-	(360)
Balance at the end of period 30 June 2012	53,426	70,406

**(a) Acquisition and disposals**

An asset (which was surplus to requirements) with a carrying amount of RM1.00 (Q1-FY12: RM19,000) was disposed during the current quarter, resulting in a gain on disposal of RM105,000 (Q1-FY12: gain of RM132,000). This gain has been included in Other Operating Expenses.

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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FIRST QUARTER ENDED 30 JUNE 2012**

**(9) Inventory Write Offs**

The Group recorded inventory write offs totalling RM49,000 in the current quarter (Q1-FY12: recovery of inventory previously written off; RM24,000). The write offs were made in accordance with the Group's inventory write off policy. The amount has been included in Other Operating Expenses.

**(10) Dividend Paid**

There was no dividend paid for the 1<sup>st</sup> quarter ended 30 June 2012.

**(11) Valuation of Property, Plant and Equipment**

The valuation of land and buildings were brought forward, without amendment from the financial statements for the year ended 31 March 2012.

**(12) 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 during the current quarter.

**(13) Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter.

**(14) Commitments**

*(a) Capital commitments*

The details of capital expenditure in respect of purchase of property, plant and equipment are:

	<b>As at 30.06.2012 (Unaudited) RM'000</b>
- Authorised but not contracted	-
- Contracted but not provided	130
	<hr/>
	130
	<hr/>

*(b) Non-Cancellable Operating Lease Commitment*

	<b>As at 30.06.2012 (Unaudited) RM'000</b>
Minimum operating lease commitment payable	
- not later than one year	23
- later than one year but not later than five years	-
	<hr/>
	23
	<hr/>

**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 2012**

**(15) Changes in Contingent Liabilities and Contingent Assets**

	<b>As at 30.06.2012 (Unaudited) RM'000</b>
<b>Contingent liability</b>	
Corporate guarantees provided to financial institutions for credit facilities granted to subsidiaries	28,001
Corporate guarantees provided to subsidiaries' trade suppliers	<u>400</u>

**(16) Material Subsequent Events**

There were no material events subsequent to the end of the current quarter except as disclosed in Note 24 in respect of the disposal of land and building by a subsidiary of the Company.

**(17) Significant Related Parties Transactions**

	<b>3 Months ended 30.06.2012 (Unaudited) RM'000</b>
Revenue	
- Supply of plastic parts and tooling	14
Expenses	
- Sub contractor fees	<u>679</u>

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

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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE FIRST QUARTER ENDED 30 JUNE 2012**

**(18) Profit for the period**

	<b>INDIVIDUAL</b>		<b>CUMULATIVE</b>	
	<b>QUARTER</b>		<b>QUARTER</b>	
	<b>3 months ended</b>		<b>3 months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest Income	19	10	19	10
Other income including investment income	202	387	202	363
Interest expense	(529)	(595)	(529)	(595)
Depreciation and amortization	(1,736)	(2,087)	(1,736)	(2,087)
Provision for and write off of receivables	(32)	(199)	(32)	(199)
Provision for and write off of inventories	(49)	-	(49)	24
Gain/(loss) on disposal of property, plant and equipment	105	132	105	132
Write offs/Impairment of assets	-	(360)	-	(360)
Foreign exchange gain/(loss)	(225)	(168)	(225)	(168)

Other than the above items, there were no gain or loss on disposal of quoted or unquoted investment, no investment income, no gain or loss on derivatives and exceptional items during the current quarter.

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**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 FIRST QUARTER ENDED 30 JUNE 2012**

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

	INDIVIDUAL QUARTER 3 months ended 30 June		CUMULATIVE QUARTER 3 months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)	2012 (Unaudited)	2011 (Unaudited)
	RM'000	RM'000	RM'000	RM'000
<b><u>Segment Revenue</u></b>				
Manufacturing	15,912	12,399	15,912	12,399
Trading	6,824	6,799	6,824	6,799
Management services – <b>Note 1</b>	341	401	341	401
Investment holding	-	-	-	-
Total revenue including inter-segment sales	23,077	19,599	23,077	19,599
Elimination of inter-segment sales	(376)	(437)	(376)	(437)
<b>Total Revenue</b>	<b>22,701</b>	<b>19,162</b>	<b>22,701</b>	<b>19,162</b>
<b><u>Segment Results</u></b>				
Manufacturing	220	(2,423)	220	(2,423)
Trading	54	(129)	54	(129)
Management services	271	216	271	216
Investment holding	(249)	(438)	(249)	(438)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	296	(2,774)	296	(2,774)
Eliminations	-	-	-	-
<b>Profit/(Loss) before taxation</b>	<b>296</b>	<b>(2,774)</b>	<b>296</b>	<b>(2,774)</b>

*Note 1: This Division only provides services for members of the Denko Group*

**Quarter on Quarter 3 months Comparison**

(aa) **Revenue**

The Group recorded a RM3.6 million increase (+18%) in total revenue for the current quarter to RM22.7 million (Q1-FY12: RM19.1 million). This revenue growth was almost entirely contributed by the Group's Manufacturing Division due to a combination of the following:

In Q1-FY12 the revenue of the plastic parts sub segment was adversely affected by:

- the effects in the aftermath of the disastrous Japan Tsunami in March 2011; and
- the relocation of a key customer operations from Malaysia to China.

In the current quarter under review, there was a significant revenue recovery as we benefitted from the large scale flooding in Thailand. The affected companies needed to replace and restore their production capacity with utmost urgency. Many factories approached Malaysian companies with tool fabrication capabilities for assistance and our tooling sub segment within the Manufacturing Division managed to secure part of the additional toolings awarded to Malaysian companies.

**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 FIRST QUARTER ENDED 30 JUNE 2012**

(aa) **Revenue (continued)**

The increased tooling fabrication orders from existing and new customers contributed RM4.6 million in revenue for the current quarter (Q1-FY12: RM700,000). This strong contribution from the tool fabrication sub segment was partly offset by subdued sales in the plastic parts sub segment.

(ab) **Profit/(Loss) Before Taxation**

The Group registered a favourable RM3.1 million profit turnaround during the quarter under review. It recorded a profit of RM296,000 before tax (Q1-FY12: **Loss** of RM2.8 million). This significant improvement is contributed by a combination of the following:

(i) **Manufacturing Division**

This Division recorded a favourable RM2.6 million profit turnaround during the quarter (accounting for over 80% of the improved Group performance). It recorded a profit of RM220,000 before tax (Q1-FY12: **Loss** of RM2.4 million) due to the following factors:

- The tool fabrication sub segment usually generates higher margins than the plastic parts sub segment. However, plastic part sales are more consistent on a month to month basis. For the quarter under review, the strong revenue contribution from the tool fabrication sub segment resulted in a higher blended gross margin;
- The continuous efforts to improve processes and efficiencies to reduce cost have also contributed to the Division's improved net margin; and.
- Lower depreciation charges and no impairment loss on assets (Q1-FY12: RM360,000) in the current quarter.

(ii) **Trading Division**

The RM6.8 million revenue generated by this division was flat when compared to Q1-FY12. The RM183,000 profit turnaround to a profit before tax of RM54,000 (Q1-FY12 **Loss**: RM129,000) is due to better costs control.

(iii) **Investment Holding Division**

A once off provision for doubtful debts amounting to RM114,000 was taken up in Q1-FY12. As there is no such provision in the current quarter, the loss incurred is lower at RM249,000.

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

	<b>INDIVIDUAL QUARTER</b>	
	<b>3 months ended</b>	
	<b>30.06.2012</b>	<b>31.03.2012</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b><u>Segment Revenue</u></b>	<b>RM'000</b>	<b>RM'000</b>
Manufacturing	15,912	12,984
Trading	6,824	6,760
Management services – <b>Note 1</b>	341	328
Investment holding	-	1,164
Total revenue including inter-segment sales	23,077	21,236
Elimination of inter-segment sales	(376)	(1,572)
 Total Revenue	 22,701	 19,664
 <b><u>Segment Results</u></b>		
Manufacturing	220	(1,062)
Trading	54	(1,081)
Management services	271	225
Investment holdings	(249)	(8,559)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	296	(10,477)
Eliminations	-	8,452
 Profit/(Loss) before taxation	 296	 (2,025)

*Note 1: This Division only provides services for members of the Denko Group*

(a) **Revenue**

The Group registered a strong 15% rebound in its revenue to RM22.7 million (Q4-FY12: RM19.6 million). As explained above, the Manufacturing Division was the key performer accounting for almost all of the revenue growth in the current quarter.

**Profit/(Loss) Before Taxation**

The Group posted a profit before tax for the current quarter of RM296,000 (Q4-FY12: **Loss** of RM2.02 million). This is mainly attributed to:

(i) **Manufacturing**

This Division recorded a RM2.9 million (+22%) increase in revenue to RM15.9 million (Q4-FY12: RM13 million) mainly due to higher contribution from the tool fabrication sub segment. This was partly offset by lower revenue at the plastic part sub segment.



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(i) **Manufacturing (continued)**

This Division recorded a favourable RM1.3 million profit turnaround during the quarter. It recorded a profit before tax of RM220,000 (Q4-FY12: **Loss** of RM1.1 million). Other than the flow through benefits from a significant improvement in revenue generated, the profit improvement is also due to the reduced inventories write off and the absence of impairment of assets taken up in the preceding quarter.

(ii) **Trading Division**

The RM6.8 million revenue generated by this division was flat when compared to Q4-FY12. This Division achieved a small profit before tax of RM54,000 (Q4-FY12 **Loss**: RM1.1million).

The substantial loss recorded in Q4-FY12 is almost entirely attributable to the stock write offs and trademarks impairment taken up during the preceding quarter.

(iii) **Investment Holding**

This Division's loss narrowed significantly to RM249,000 (Q4-FY12 **Loss**: RM8.6 million)

The substantial loss costs recorded in the preceding quarter is almost entirely attributable to the impairment of investment in a subsidiary and a provision for debts owed by subsidiaries totalling RM9 million.

**(21) Current Year Prospects**

FY2013 will continue to remain challenging as recovery across the world's economies is still fragile. Consumer confidence in the Western economies is low and is particularly problematic in the Euro Zone where the unemployment rates are at historical highs. The markets are carefully watching the United States as its Presidential Elections gains momentum. A leadership change may bring a vastly different approach to its economic policies. The Asian economies seem to fair better. China and India; whilst not entirely immune from world events are bracing for a soft landing

Our Manufacturing Division has an indirect exposure to the world markets through our key customers who are global suppliers. With a deteriorating trend of trading and financial performance, this Division had faced much difficulty to secure new orders from existing clients or to add new clients. We have lost market share in the past.

On a positive note, we have made a good start to FY2013 by registering sales growth and even managed to report a small profit. Our strategy is to in part win a bigger share of our existing customers supply requirements to restore sales growth and to increase our market share. Under such circumstances, we are less exposed to the vagaries of the world economy. Based on our current order pipeline, we have reasons to be confident that we will make a substantial improvement to recover from the RM7.9 million loss incurred by this Division in FY12.

Our Trading Division's operational expansion to a Peninsular wide market coverage is gathering momentum. New Regional Managers and support staff have been appointed. The warehouse and logistics functions have been outsourced to a specialist operator. Whilst this market expansion and diversification plans are being rolled out over the next few quarters, we do not expect any material contribution from this Division to our FY13 earnings.

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**(22) Profit Forecast and Profit Guarantee**

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

**(23) Taxation**

	INDIVIDUAL QUARTER 3 months ended 30 June		CUMULATIVE QUARTER 3 months ended 30 June	
	2012 (Unaudited) RM'000	2011 (Unaudited) RM'000	2012 (Unaudited) RM'000	2011 (Unaudited) RM'000
Over provision in previous year				
In respect of current period	173	-	173	-
-Malaysian income tax	(24)	(6)	(24)	(6)
-Deferred tax	-	163	-	163
	<u>149</u>	<u>157</u>	<u>149</u>	<u>157</u>

**(24) Status of Corporate Proposals**

- (i) At a Extraordinary General Meeting held on 27 July 2012, the Company's shareholders approved the Proposed Capital Reduction as follows:
- (a) reduction of the issued and paid-up share capital of Denko pursuant to Section 64 of the Act involving the cancellation of RM0.60 of the par value of each ordinary share of RM1.00 each in Denko;
  - (b) reduction of RM1,569,735 from the share premium account of Denko pursuant to Sections 64 of the Act; and
  - (c) amendments to the Memorandum & Articles of Association of Denko to facilitate the change in the par value of the ordinary shares in Denko from RM1.00 to RM0.40 arising from the Proposed Capital Reduction.

The Company's solicitors have submitted the Petition to the Kuala Lumpur High Court for approval to effect the Proposed Capital Reduction.

- (ii) On 25 May 2012, Denko IPC Sdn. Bhd., ("DIPC") a wholly-owned subsidiary of the Company executed a Sale and Purchase Agreement ("SPA") with Synactic Technology Sdn. Bhd. ("Purchaser") to dispose a piece of leasehold land with a 3 storey office cum factory building of the subsidiary for a consideration of RM11.0 million.

DIPC has received 10% of the SPA price. As the SPA is now unconditional, the balance Purchase Price amounting to RM9.9 million will be paid to DIPC on or before 30 October 2012.

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**(25) Group Borrowings**

Details of the unaudited Group borrowings as at 30 June 2012 are as follows:

Type of borrowing	Short term	Long term	Total
	Secured		
RM'000			
Bank Overdraft	1,358	-	1,358
Bills Payable and Bankers Acceptance	10,861	-	10,861
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	2,503	162	2,665
Term Loans	2,369	5,102	7,471
<b>SUB TOTAL</b>	19,091	5,264	24,355
<b>Liabilities directly associated with asset held for sale</b>	3,712	-	3,712
<b>GRAND TOTAL</b>	22,803	5,264	28,067

**(a) Drawdown and repayment Schedule**

	Bank Overdraft	Bills Payable and Bankers Acceptance	Revolving Credit	Hire Purchase Creditors	Term Loans	Liabilities directly associated with asset held for sale	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at beginning of period 01 April 2012	-	9,754	2,000	3,374	8,037	3,959	27,124
Additions / Utilisation	1,358	1,107	-	-	-	-	2,465
Repayment	-	-	-	(709)	(566)	(247)	(1,522)
As at end of period 30 June 2012	1,358	10,861	2,000	2,665	7,471	3,712	28,067

**(26) Material Litigation**

There are no new development and additional material litigation reported in the current quarter

**(27) Dividend Payable**

No interim dividend has been recommended for the current quarter.

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE FIRST QUARTER ENDED 30 JUNE 2012**

**(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.

	<b>INDIVIDUAL QUARTER 3 months ended 30 June</b>		<b>CUMULATIVE QUARTER 3 months ended 30 June</b>	
	<b>2012 (Unaudited)</b>	<b>2011 (Unaudited)</b>	<b>2012 (Unaudited)</b>	<b>2011 (Unaudited)</b>
Profit/(Loss) attributable to ordinary equity holders of the parent (“000”)	445	(2,617)	445	(2,617)
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>0.43</u>	<u>(2.50)</u>	<u>0.43</u>	<u>(2.50)</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.

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

	<b>As at 30.06.2012 (Unaudited) RM'000</b>
Total accumulated losses of the Group	
- Realised	(71,401)
- Unrealised	(4,912)
	<u>(76,313)</u>
Total Group accumulated losses as per consolidated financial statements	<u>(76,313)</u>

**(31) Authorised for issue**

These interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 16 August 2012.

**BY ORDER OF THE BOARD**

**Woo Min Fong (MAICSA 0532413)**  
**Wong Chee Yin (MAICSA 7023530)**  
**Tan Quok Eow (MIA 22571)**  
 Company Secretaries