



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

**INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND QUARTER ENDED  
30 SEPTEMBER 2012**

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

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2012**

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
<b>UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER 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>4-5</b>
<b>PART A - SELECTED EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING IN MALAYSIA AND IAS 34, INTERIM FINANCIAL REPORTING</b>	<b>6-11</b>
<b>PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA</b>	<b>12-20</b>

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

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

	Note	INDIVIDUAL QUARTER 3 months ended 30 September		CUMULATIVE QUARTERS 6 months ended 30 September	
		2012 (Unaudited) RM'000	2011 (Unaudited) RM'000	2012 (Unaudited) RM'000	2011 (Unaudited) RM'000
Revenue	20	23,215	19,366	45,917	38,528
Cost Of Sales		(20,154)	(18,200)	(39,510)	(36,592)
Gross Profit		3,061	1,166	6,407	1,936
Other Income		(0)	317	710	694
Marketing and Distribution Expenses		(727)	(670)	(1,773)	(1,382)
Administration Expenses		(1,573)	(2,065)	(3,068)	(3,959)
Other Operating Gains /(Expenses)		397	(1,978)	(293)	(2,691)
Profit/(Loss) From Operations		1,158	(3,230)	1,983	(5,402)
Finance Costs		(440)	(600)	(969)	(1,202)
Profit/(Loss) Before Tax	20	718	(3,830)	1,014	(6,604)
Taxation	23	(62)	(308)	87	(151)
Profit/ (Loss) net of tax for the period		656	(4,138)	1,101	(6,755)
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income / (loss) attributable to equity holders of the parent</b>		<b>656</b>	<b>(4,138)</b>	<b>1,101</b>	<b>(6,755)</b>
Basic, profit/(loss) per ordinary share (sen)		0.63	(3.96)	1.05	(6.47)
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 SECOND QUARTER ENDED 30 SEPTEMBER 2012**

	Note	As at 30.09.2012 (Unaudited) RM'000	As at 31.03.2012 (Audited) RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	51,877	55,122
<b>Current assets</b>			
Inventories		12,156	10,572
Trade and other receivables		18,475	15,869
Current tax asset		1,516	1,859
Cash and bank balances		4,494	2,112
		36,641	30,412
Asset held for sale	24	6,866	6,866
Total current assets		43,507	37,278
<b>TOTAL ASSETS</b>		<b>95,384</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		(75,657)	(76,758)
<b>Total Equity</b>		<b>36,066</b>	<b>34,965</b>
<b>Non current liabilities</b>			
Long term borrowings	25	4,658	6,324
Trade payables and other payables		7,916	8,895
Deferred tax liabilities		4,906	4,944
Total non-current liabilities		17,480	20,163
<b>Current Liabilities</b>			
Trade and other payables		18,423	16,362
Current tax liabilities		161	110
Short term borrowings	25	19,691	16,841
		38,275	33,313
Liabilities directly associated with assets held for sale	25	3,563	3,959
Total current liabilities		41,838	37,272
<b>Total liabilities</b>		<b>59,318</b>	<b>57,435</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>95,384</b>	<b>92,400</b>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>		<b>0.3452</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 SECOND QUARTER ENDED 30 SEPTEMBER 2012**

	Attributable to equity holders of the parent				Total
	Share Capital	Share Premium	Revaluation Reserves	Accumulated Losses	
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 April 2012</b>	104,469	3,136	4,118	(76,758)	34,965
Total comprehensive income for the period	-	-	-	1,101	1,101
<b>At 30 SEPTEMBER 2012</b>	104,469	3,136	4,118	(75,657)	36,066
<b>At 1 April 2011</b>	104,469	3,136	4,118	(67,570)	44,153
Total comprehensive loss for the period	-	-	-	(6,755)	(6,755)
<b>At 30 SEPTEMBER 2011</b>	104,469	3,136	4,118	(74,325)	37,398

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 SECOND QUARTER ENDED 30 SEPTEMBER 2012**

	Period to date	
	30.09.2012 (Unaudited)	30.09.2011 ( Unaudited)
Note	RM'000	RM'000
<b>1. Cash flow from operating activities</b>		
<b>Profit (loss) before tax</b>	1,013	(6,604)
<i>Adjustment for investing and financing items not involving movement of cash and cash equivalent</i>		
Impairment for trade and other receivables	52	150
Amortisation of prepaid land lease payment	-	31
Depreciation of property, plant and equipment	3,435	3,995
Impairment losses on property plant and equipment	-	385
Loss/(Gain) on disposal of property, plant and equipment	(131)	1,152
Interest expense	969	1,202
Interest income	(35)	(22)
Inventories written off	75	36
Unrealised (gain)/loss on foreign exchange	(113)	636
<b>Operating profit before working capital changes</b>	5,265	961
Net change in inventories	(1,659)	2,039
Net change in trade and other receivables	(2,846)	826
Net change in trade and other payables	(2,735)	(4,572)
Net change in amount due to directors	3,931	(43)
<b>Cash generated from operations</b>	1,956	(789)
Interest paid	(417)	(442)
Income tax paid	(67)	(102)
Income tax refund	698	-
<b>Net cash from / (used in) operating activities</b>	2,170	(1,333)

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)**  
**Incorporated in Malaysia**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2012 (continued)**

	Note	Period to date	
		30.09.2012 (Unaudited) RM'000	30.09.2011 (Unaudited) RM'000
<b>2. Cash flow from investing activities</b>			
Purchase of fixed assets		(190)	-
Increase in pledged fixed deposit		(3)	-
Interest received		35	25
Proceeds from disposal of fixed assets		132	2,523
<b>Net cash used in investing activities</b>		<u>(26)</u>	<u>2,548</u>
<b>3. Cash flow from financing activities</b>			
Increase in short term borrowings		2,180	1,746
Repayment of term loans		(1,536)	(2,235)
Repayment of hire purchase creditors		(1,381)	(1,012)
Interest paid		(552)	(760)
<b>Net cash used in financing activities</b>		<u>(1,289)</u>	<u>(2,261)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		855	(1,046)
Cash and cash equivalents as at beginning of financial period 1 <sup>st</sup> April		500	1,669
Cash and cash equivalents as at end of financial period 30 <sup>th</sup> September *		<u>1,355</u>	<u>623</u>

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

Fixed deposits with licensed banks		1,614	1,580
Cash and bank balances		2,880	717
		<u>4,494</u>	<u>2,297</u>
Bank overdrafts	25	(1,525)	(94)
		<u>2,969</u>	<u>2,203</u>
Less: Fixed deposits pledged to licensed banks		(1,614)	(1,580)
		<u>1,355</u>	<u>623</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)**  
**Incorporated in Malaysia**

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



**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 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)**  
**Incorporated in Malaysia**

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

**(4) Segmental Reporting**

The Group's operations comprise 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 6 months ended 30 September</b>	
	<b>2012 (Unaudited) RM'000</b>	<b>2011 (Unaudited) RM'000</b>
Balance at the beginning of period 01 <sup>st</sup> April	55,122	73,579
Additions	190	115
Impairment loss	-	(385)
Reversal of impairment loss	-	167
Disposals	-	(3,954)
Write-offs	-	(3)
Amortisation	-	(31)
Depreciation	(3,435)	(3,995)
Balance at the end of period 30 <sup>th</sup> September	51,877	65,492

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

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

**Acquisition and Disposals**

Assets which were redundant and surplus to requirements with total carrying amount of RM311 (Q2-FY12: RM3.9 million) were disposed off during the current quarter, resulting in a gain on disposal of RM26,000 (Q2-FY12: **LOSS** of RM1.3 million). This gain has been included in Other Operating Gains.

**(9) Inventory Write Offs**

The Group recorded inventory write offs totalling RM26,000 in the current quarter (Q2-FY12: RM36,000). The write offs were made in accordance with the Group's inventory write off policy. This amount has been offset against Other Operating Gains.

**(10) Dividend Paid**

No dividend was paid during the current quarter.

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

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 buy back 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 30.09.2012 (Unaudited) RM'000</b>
- Authorised but not contracted	-
- Contracted but not provided	1,417
	<hr/>
	1,417
	<hr/>

*(b) Non-Cancellable Operating Lease Commitment*

	<b>As at 30.09.2012 (Unaudited) RM'000</b>
Minimum operating lease commitment payable	
- not later than one year	13
- later than one year but not later than five years	-
	<hr/>
	13
	<hr/>

**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 2012**

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

	<b>As at 30.09.2012 (Unaudited) RM'000</b>
<b>Contingent liability</b>	
Corporate guarantees provided to financial institutions for credit facilities granted to subsidiaries	27,844
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 capital reduction exercise by the Company, the disposal of land and building by a subsidiary of the Company and in Note 26 in relation to a Material Litigation in which the Company is a Defendant.

**(17) Significant Related Parties Transactions**

	<b>6 Months ended 30.09.2012 (Unaudited) RM'000</b>
Revenue	
- Supply of plastic parts and tooling	187
Expenses	
- Sub contractor fees	<u>848</u>

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

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

**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 2012**

**(18) Profit for the period**

	<b>INDIVIDUAL</b>		<b>CUMULATIVE</b>	
	<b>QUARTER</b>		<b>QUARTERS</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30 September</b>		<b>30 September</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	16	12	35	22
Other income including investment income	467	305	669	692
Interest expense	(440)	(607)	(969)	(1,202)
Depreciation and amortization	(1,699)	(1,940)	(3,435)	(4,027)
Provision for and write off of receivables	(20)	49	(52)	(150)
Provision for and write off of inventories	(26)	(36)	(75)	(36)
Gain/(loss) on disposal of quoted or unquoted investment or properties	26	(1,285)	131	(1,152)
Write off/Impairment of assets	-	(25)	-	(385)
Realised foreign exchange gain/(loss)	(59)	(589)	(284)	(757)

Other than the above items, there was no gain or loss on derivatives and exceptional items during the current quarter.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

**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 SECOND QUARTER ENDED 30 SEPTEMBER 2012**

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

	<b>INDIVIDUAL QUARTER 3 months ended 30 September</b>		<b>CUMULATIVE QUARTERS 6 months ended 30 September</b>	
	<b>2012 (Unaudited)</b>	<b>2011 (Unaudited)</b>	<b>2012 (Unaudited)</b>	<b>2011 (Unaudited)</b>
<b><u>Segment Revenue</u></b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Manufacturing	16,820	12,715	32,732	25,114
Trading	6,435	6,693	13,260	13,492
Management services – <b>Note1</b>	399	483	740	884
Investment holding	-	-	-	-
Total revenue including inter-segment sales	23,654	19,891	46,732	39,490
Elimination of inter-segment sales	(439)	(525)	(815)	(962)
<b>Total Revenue</b>	<b>23,215</b>	<b>19,366</b>	<b>45,917</b>	<b>38,528</b>
<b><u>Segment Results</u></b>				
Manufacturing	569	(3,552)	789	(5,975)
Trading	106	5	161	(124)
Management services	328	312	599	528
Investment holding	(285)	(595)	(535)	(1,033)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	718	(3,830)	1,014	(6,604)
Eliminations	-	-	-	-
<b>Profit/(Loss) before taxation</b>	<b>718</b>	<b>(3,830)</b>	<b>1,014</b>	<b>(6,604)</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 RM3.9 million increase (+20%) in Total Revenue for the current quarter to RM23.2 million (Q2-FY12: RM19.4 million). This strong revenue growth was due to the combination of the following at the Group's Manufacturing Division:

- (i) This Division achieved a RM4.1 million increase in Revenue due to higher orders from existing customers and sales to new customers; and
- (ii) Revenue for the corresponding quarter in FY12 was adversely affected by the March 2011 Tsunami in Japan. Stock deliveries to our key customers (who in turn are suppliers to the Japanese automotive industry) declined substantially.

**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 SECOND QUARTER ENDED 30 SEPTEMBER 2012**

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

The Group achieved a Profit before Taxation of RM718,000 for the current quarter (Q2-FY12: **LOSS**: RM3.8 million). This represents a favourable RM4.5 million turnaround in the Group's performance.

The improved performance was mainly due to:

- The RM3.9 million increased in Group Revenue;
- Productivity and efficiencies gains and changes in Product Sales Mix which contributed to the Group's Gross Profit Margin doubling to 13% of Revenue for the current quarter (Q2-FY12: 6%);
- Focus on cost management which resulted in a RM500,000 reduction in Group Administration Expenses; and
- A RM2.4 million favourable turnaround in the Group's Other Operating Gains/(Expenses) due to:
  - (i) The absence of loss on disposal of fixed assets in the current quarter (Q2-FY12: **LOSS** RM1.3 million);
  - (ii) Reduced foreign exchange losses to less than RM100,000 in the current quarter (Q2-FY12: **LOSS** RM589,000); and
  - (iii) A RM342,000 recovery of obsolete stock in the current quarter (Q2-FY12: Nil).

The Performance of the Group by Division were as follows:

**(i) Manufacturing Division**

This Division achieved a RM4.1 million increase in Revenue during the current quarter (as previously mentioned) and a Profit before Taxation of RM569,000 (Q2-FY12: **LOSS** RM3.6 million). The RM4.1 million favourable profit turnaround was due to:

- Revenue in the Plastic Parts sub-segment increasing by RM2.5million (+25%) to RM12.4 million (Q2-FY12: RM9.9 million). This improves the machine utilisation rate which lowers the unit production cost. Consequently, there is a significant improvement in the this sub-segment's Operating Margins;
- Revenue in the higher margin Tool Fabrication sub-segment increased by RM1.4 million (+127%) to RM2.5 million (Q2-FY12: RM1.1 million);
- A gain of RM26,000 from the disposal of redundant assets (Q2-FY12: **LOSS** RM1.3 million);
- RM300,000 reduction in Depreciation Expenses following the disposal of assets in the previous year; and
- Production and efficiency gains.

**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 SECOND QUARTER ENDED 30 SEPTEMBER 2012**

(ii) **Trading Division**

This Division recorded a RM300,000 reduction (-4%) in Revenue to RM6.4 million (Q2-FY12: RM6.7 million) for the current quarter. Notwithstanding, the Divisional gross margin improved by 3% to 12% (Q2-FY12: 9%) thereby contributing to a substantial increase in its Profit before Taxation to RM106,000 (Q2-FY12: RM5,000).

This was mainly due to:

- A change in the Product Sales Mix whereby the Division is selling more of its lower dollar value but higher margin HOMAX home brand product range; and
- More effective credit controls imposed on debt collection. There was no impairment on account receivables in Q2-FY13 (Q2-FY12: RM40,000).

(iii) **Investment Holding Division**

Loss reduced to RM285,000 (-52%) (Q2-FY12: RM595,000) as legacy legal matters are being progressively settled or closed which resulted in savings on legal and professional fees and disbursements.

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

	<b>INDIVIDUAL QUARTER</b>	
	<b>3 months ended</b>	
	<b>30.09.2012</b>	<b>30.06.2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b><u>Segment Revenue</u></b>	<b>RM'000</b>	<b>RM'000</b>
Manufacturing	16,820	15,912
Trading	6,435	6,824
Management services – <b>Note 1</b>	399	341
Investment holding	-	-
Total revenue including inter-segment sales	23,654	23,077
Elimination of inter-segment sales	(439)	(376)
Total revenue	23,215	22,701
<b><u>Segment Results</u></b>		
Manufacturing	569	220
Trading	106	54
Management services	328	271
Investment holdings	(285)	(249)
Total Profit/(Loss) before taxation including inter-segment Profit/(Loss)	718	296
Eliminations	-	-
Profit/(Loss) before taxation	718	296

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



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

**(a) Revenue**

The Group registered a marginal increase in its Revenue to RM23.2 million (+2%) in the current quarter (Q1-FY13: RM22.7 million). The RM908,000 revenue growth at the Manufacturing Division was offset by the RM389,000 lower revenue (-6%) recorded at the Trading Division.

**(i) Manufacturing**

The Plastic Parts sub-segment increased its Revenue by RM2.8 million (+29%) to RM12.4 million (Q1-FY13: RM9.6 million). However, the positive revenue contribution from the Plastic Parts sub-segment was offset by the RM2.1 million revenue reduction (-54%) at the Tool Fabrication sub-segment to RM2.5million (Q1-FY13: RM4.6million).

The significant change in revenue contribution between these two sub-segments is no cause for alarm as it is very much part of our business as a One-Stop Plastics supplier. The process starts with Tool Fabrication and once the tools have been approved by a customer, the revenue is recorded. Thereafter, we commence mass production of the Plastic Parts. In the current context, the Tool Fabrication sub-segment would have recorded its revenue in the previous quarter and the Plastic Parts sub-segment would start to record higher revenue from the current quarter until the customer order is fulfilled.

As a consequence, this Division registered a net Revenue growth of RM908,000 (+6%) in the current quarter to RM16.8million (Q1-FY13 RM15.9million).

**(ii) Trading**

This Division posted a RM389,000 reduction (-6%) in Revenue to RM6.4 million (Q1-FY13: RM6,8 million) mainly due to:

- A RM200,000 reduction in sales on one of our core product range due to a price increase instituted by the supplier; and
- A change in the Product Sales Mix whereby the Division is selling more of its lower dollar value but higher margin HOMAX home brand product range.

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

The Group posted a RM442,000 increase (+142%) in Profit before Taxation to RM718,000 (Q1-FY13: RM296,000). This is mainly attributed to:

**(i) Manufacturing**

This Division recorded a RM349,000 increase (+158%) in Profit before Taxation to RM569,000 (Q1-FY13: RM220,000). The RM908,000 increase in Revenue for the current quarter which improved the Gross Margin is a contributing factor. The other key factor was a recovery of RM342,000 from stocks previously written off (Q1-FY13: RM138,000).

**(ii) Trading Division**

This Division recorded a RM52,000 increase (+96%) in Profit before Taxation to RM106,000 (Q1-FY13: RM54,000). The increasing sales of our higher margin HOMAX house brand products coupled with product range rationalisation initiatives (to cease the stocking of slow moving and low margin products) contributed to a 5% improvement in our trading margins.

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

(iii) **Investment Holding**

This Division's losses increased by RM36,000 to RM285,000 (Q1-FY13: **LOSS** -RM249,000) mainly due to the costs incurred for the Company's Capital Reduction Corporate Exercise which was recognised in the current quarter.

(21) **Current Year Prospects**

**Manufacturing Division**

Economic recovery across the world's economies remains challenging and fragile and this aspect has an indirect impact on our business as we are exposed to the world markets through our key customers who are global suppliers to the automotive industry. Any improved world economic confidence and outlook would therefore be beneficial to our business.

However, until there is sustained recovery in the world markets which will translate to higher demand for each model launched by our customers, our strategic focus in the Manufacturing Division are:

- (i) To increase our share of existing customers available business and to secure orders from new customers; and
- (ii) To continue with the focus on improving our manufacturing productivity and efficiency to reduce our cost base.

**Trading Division**

Our Trading Division's planned expansion to a Peninsular wide market coverage is tracking well. After having outsourced the warehouse and logistics operations, the current focus is to rationalise the existing product range (by dropping stock items which are either slow moving or which offers low trading margins) and:

- (i) To increase sale of home brands products which provide better margins; and
- (ii) To source for new products to meet a more discerning consumer market.

This Division traditionally performs well in the third quarter to each 31 December as it benefits from the retailers' stock ups for the Christmas, New Year and Chinese New Year holidays and festive celebrations.

In summary, the Group's corporate and profitability turnaround initiatives are tracking well and gaining momentum. After four financial quarters of consecutive losses to 31<sup>st</sup> March 2012, the Group commenced FY13 well with a modest RM296,000 Profit before Taxation for Q1. The momentum continued into Q2 with the Profit before Taxation for the six months to 30<sup>th</sup> September 2012 recording a RM7.6 million turnaround to RM1 million (prior year corresponding period: **LOSS** - RM6.6 million).

As we have labour intensive operations in our Manufacturing Division, we expect our cost base to increase substantially following the Government's implementation of its minimum wage policy with effect from 1 January 2013. Barring unforeseen adverse events, the Directors have reasons to be confident that the results for FY13 will be a improvement over the RM9.4 million loss reported for FY12.

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

The profit forecast and guarantee is not applicable 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 SECOND QUARTER ENDED 30  
SEPTEMBER 2012**

**(23) Taxation**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>3 months ended 30 SEPTEMBER</b>		<b>6 months ended 30 SEPTEMBER</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>
Over provision in previous year				
In respect of current period	-	-	173	-
-Malaysian income tax	(84)	(308)	(124)	(314)
-Deferred tax	22	-	38	163
	<u>(62)</u>	<u>(308)</u>	<u>87</u>	<u>(151)</u>

**(24) Status of Corporate Proposals**

**(i) CAPITAL REDUCTION**

At an Extraordinary General Meeting held on 27 July 2012, the Company's shareholders approved the Proposed Capital Reduction as follows:

- Reduction of the issued and paid-up share capital of Denko involving the cancellation of RM0.60 of the par value of each ordinary share of RM1.00 each in Denko;
- Reduction of RM1,569,735 from the share premium account of Denko; and
- 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 Kuala Lumpur High Court approved the Proposed Capital Reduction on 12 October 2012.

Following lodgement of the Court Order with Syarikat Suruhanjaya Malayisa, the Capital Reduction was completed on 16 October 2012.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
---------------------------------------------------

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

(ii) **DISPOSAL OF LAND AND BUILDING**

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. The initial SPA completion date was on 30 October 2012 .

Due to the delay in fulfilling the Conditions Precedent coupled with the Purchaser exercising the automatic ONE (1) month extension as provided for in the SPA, the Extended Completion Date is 21 December 2012, subject to the Purchaser paying DIPC interest at the rate of 8% p.a. calculated on the Balance Purchase Price.

**(25) Group Borrowings**

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

Type of borrowing	Short term	Long term	Total
	Secured		
RM'000			
Bank Overdraft	1,525	-	1,525
Bills Payable and Bankers Acceptance	11,934	-	11,934
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	1,818	175	1,993
Term Loans	2,414	4,482	6,896
<b>SUB TOTAL</b>	19,691	4,657	24,348
<b>Liabilities directly associated with asset held for sale</b>	3,563	-	3,563
<b>GRAND TOTAL</b>	23,254	4,657	27,911

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

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

**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	1,525	2,180	-	-	-	-	3,705
Repayment	-	-	-	(1,381)	(1,141)	(396)	(2,918)
As at end of period 30 September 2012	1,525	11,934	2,000	1,993	6,896	3,563	27,911

**(26) Material Litigation**

The additional material litigation reported in the current quarter was:

Kuala Lumpur High Court Civil Suit No.: 22NVC-970-08/2012

Plaintiffs: Ng Swee Yong  
 Ng Choy Wan  
 Lim Ngak Ee  
 Zainuddin Bin Yahya

Defendant: Denko Industrial Corporation Berhad

The Company had on 10 September 2012 received a Writ of Summons from the Plaintiffs claiming the sum of RM3,689,618.01 together with interest and incidental costs.

**Subsequent Chronology of Events**

- 24 October 2012 Our solicitors filed a Defence and Counter Claim for abuse of process.
- 12 November 2012 The court set case management directions
- 21 December 2012 The next case management date

**(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 SECOND QUARTER ENDED 30 SEPTEMBER 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 SEPTEMBER</b>		<b>CUMULATIVE QUARTER 6 months ended 30 SEPTEMBER</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>
Profit/(Loss) attributable to ordinary equity holders of the parent (“000”)	656	(4,138)	1,101	(6,755)
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>0.63</u>	<u>(3.96)</u>	<u>1.05</u>	<u>(6.47)</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 30.09.2012 (Unaudited) RM’000</b>
Total accumulated losses of the Group	
- Realised	(70,869)
- Unrealised	(4,788)
	<u>(75,657)</u>
Total Group accumulated losses as per consolidated financial statements	<u>(75,657)</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 28 November 2012.

**BY ORDER OF THE BOARD**

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