



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

**INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
31 DECEMBER 2008**

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

FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008

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

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008

	Note	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
		31.12.2008 (Unaudited) RM'000	31.12.2007 (Unaudited) RM'000	31.12.2008 (Unaudited) RM'000	31.12.2007 (Unaudited) RM'000
Revenue	4	42,195	39,814	122,439	109,249
Cost of sales		(40,953)	(32,485)	(116,258)	(89,956)
Gross profit		<u>1,242</u>	<u>7,329</u>	<u>6,181</u>	<u>19,293</u>
Other operating income		(41)	1,739	1,409	3,133
Gain on deconsolidation of subsidiary companies		-	478	-	4,954
Gain on disposal of a subsidiary company		1,175	-	1,175	-
Provision for corporate guarantee written back		-	-	4,967	-
Marketing and distribution costs		(1,338)	(743)	(3,895)	(2,480)
Administration expenses		(2,378)	(3,294)	(8,047)	(9,743)
Other operating expenses		(1,790)	(725)	(3,119)	(2,314)
Profit/(Loss) from operations		<u>(3,130)</u>	<u>4,784</u>	<u>(1,329)</u>	<u>12,843</u>
Finance costs		(832)	(767)	(2,527)	(2,546)
Share of loss of an associate		-	(1)	(1)	(7)
Profit/(Loss) before taxation	4	<u>(3,962)</u>	<u>4,016</u>	<u>(3,857)</u>	<u>10,290</u>
Taxation	22	<u>513</u>	<u>(10)</u>	<u>603</u>	<u>(532)</u>
Profit/(Loss) for the period		<u>(3,449)</u>	<u>4,006</u>	<u>(3,254)</u>	<u>9,758</u>
Attributable to:					
Equity holders of the Parent		<u>(3,449)</u>	<u>4,006</u>	<u>(3,254)</u>	<u>9,758</u>
Earnings/(Loss) per ordinary share attributable to equity holders of the parent					
Basic earnings/(loss) per ordinary share (sen)	30	<u>(3.30)</u>	<u>3.84</u>	<u>(3.11)</u>	<u>9.40</u>
Fully diluted earnings/(loss) per ordinary share (sen)	31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.

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

CONDENSED CONSOLIDATED BALANCE SHEETS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008

	Note	AS AT 31.12.2008 (Unaudited) RM'000	AS AT 31.03.2008 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		95,345	85,087
Prepaid land lease payments		3,897	4,862
Investment in an associated company		1	2
Total non-current assets		99,243	89,951
Current assets			
Inventories		21,115	17,498
Trade and other receivables		27,941	25,734
Current tax assets		1,122	1,263
Fixed deposits with licensed banks		1,537	1,162
Cash and bank balances		4,257	1,720
Total current assets		55,972	47,377
Non-current asset held for sale		-	4,892
TOTAL ASSETS		155,215	142,220
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		104,469	104,469
Reserves	16	3,162	5,744
Accumulated losses		(66,461)	(65,789)
Total equity		41,170	44,424
Non-current liabilities			
Long term borrowings	26	31,144	20,629
Deferred tax liabilities		6,122	7,969
Total non-current liabilities		37,266	28,598
Current liabilities			
Trade and other payables	17	49,651	39,469
Short term borrowings	26	27,093	25,785
Current tax liabilities		35	-
Total current liabilities		76,779	65,254
Liabilities directly associated with assets classified as held for sale		-	3,944
Total liabilities		114,045	97,796
TOTAL EQUITY AND LIABILITIES		155,215	142,220
Net assets per share attributable to equity holders of the parent (RM)		0.3941	0.4252

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
Incorporated in Malaysia
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008 (UNAUDITED)

	Attributable to equity holders of the parent				Total
	Share Capital	-----Non-distributable----- Share Premium	Revaluation Reserves	Accumulated Losses	
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2008	104,469	3,136	2,608	(65,789)	44,424
Realisation of revaluation reserve	-	-	(2,582)	2,582	-
Net income/(expenses) recognised directly in equity			(2,582)	2,582	-
Net loss for the financial period	-	-	-	(3,254)	(3,254)
Total recognised income and expenses for the period	-	-	26	(672)	(3,254)
At 31 December 2008	104,469	3,136	26	(66,461)	41,170

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008 (UNAUDITED)

	Attributable to equity holders of the parent					Total	
	Share Capital	-----Non-distributable-----			Accumulated		RM'000
		Share Premium	Revaluation Reserves	Equity Component of RCSLS	Losses		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1 April 2007	103,526	3,136	2,112	737	(75,425)	34,086	
Net profit for the period	-	-	-	-	9,758	9,758	
Conversion of RCSLS-equity component	737	-	-	(737)	-	-	
Conversion of RCSLS-liability component	206	-	-	-	-	206	
At 31 December 2007	104,469	3,136	2,112	-	(65,667)	44,050	

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008

	Note	Period to date	
		31.12.2008 (Unaudited) RM'000	31.12.2007 (unaudited) RM'000
Net cash generated from operating activities		10,336	20,504
Net cash used in investing activities		(17,771)	(19,544)
Net cash from financing activities		<u>12,501</u>	<u>453</u>
Net increase in cash and cash equivalents		5,066	1,413
Cash and cash equivalents as at beginning of financial period		<u>(3,951)</u>	<u>(4,190)</u>
Cash and cash equivalents as at end of financial period		<u>1,115</u>	<u>(2,777)</u>
*Cash and cash equivalents at the end of the financial period comprise the followings:			
Fixed deposits with licensed banks		1,537	1,658
Bank overdrafts	26	(3,142)	(6,916)
Cash and bank balances		<u>4,257</u>	<u>4,139</u>
		2,652	(1,119)
Less: Fixed deposits pledged to licensed banks		<u>(1,537)</u>	<u>(1,658)</u>
		<u>1,115</u>	<u>(2,777)</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.

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

PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008

(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 2008. 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 2008.

(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 2008.

The effective date for FRS 139 “Financial Instruments: Recognition and Measurement”, has now been determined by the Malaysian Accounting Standards Board (“MASB”) to be from 1 January 2010. The Group is exempted from disclosing the possible impact of FRS 139 in accordance with FRS 108 “Accounting Policies, Change in Accounting Estimates and Errors” prior to its effective date.

(3) Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the year ended 31 March 2008 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 and marketing of sport-wear
Property rental	:	Rental of property
Management services	:	Provision of Management services
Investment holdings & others	:	Investment holdings, dormant and inactive companies

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	31.12.2008 (Unaudited) RM’000	31.12.2007 (Unaudited) RM’000	31.12.2008 (Unaudited) RM’000	31.12.2007 (unaudited) RM’000
<u>Segment Revenue</u>				
Manufacturing	34,528	33,029	101,320	92,541
Trading	8,009	7,412	22,691	18,569
Property rental	-	-	-	-
Management services	404	2,125	1,143	2,125
Investment holdings & others	-	(1,308)	-	6
Total revenue including inter-segment sales	42,941	41,258	125,154	113,241
Elimination of inter-segment sales	(746)	(1,444)	(2,715)	(3,992)
Total revenue	42,195	39,814	122,439	109,249

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

PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	31.12.2008 (Unaudited) RM'000	31.12.2007 (Unaudited) RM'000	31.12.2008 (Unaudited) RM'000	31.12.2007 (unaudited) RM'000
<u>Segment Results</u>				
Manufacturing	(5,260)	2,042	(8,650)	5,266
Trading	300	177	834	40
Property rental	-	-	-	(196)
Management services	147	2,075	(428)	2,075
Investment holdings & others	(859)	4,225	2,254	3,771
	<u>(5,672)</u>	<u>8,519</u>	<u>(5,990)</u>	<u>10,956</u>
Eliminations	1,710	(4,502)	2,134	(659)
Share of loss of an associate	-	(1)	(1)	(7)
	<u>(3,962)</u>	<u>4,016</u>	<u>(3,857)</u>	<u>10,290</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.

In the previous quarter of 31 March 2008, management services have been incorporated as a new segment while property rental segment has ceased.

(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 3rd quarter ended of 31 December 2008.

(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 2008.

(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)
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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008

(11) Changes in the Composition of the Group

There was no change in the composition of the Group during the current quarter except for the disposal of a dormant subsidiary company, Denko HLB Sdn. Bhd. for cash consideration of RM1.00. This has give rise to a gain on disposal of a subsidiary company amounting to RM1.175 million.

(12) Commitments

(a) Capital commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2008 are as follows:

	As at 31.12.2008 (Unaudited) RM'000
Approved by the Directors and contracted for	-
Authorised by the Directors but not contracted	405
	<hr/>
	405
	<hr/>
<i>(b) Non-Cancellable Operating Lease Commitment</i>	
	As at 31.12.2008 (Unaudited) RM'000
Minimum operating lease commitment payable	
- not later than one year	156
- later than one year but not later than five years	412
	<hr/>
	568
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(13) Changes in Contingent Liabilities and Contingent Assets

There were no changes to the contingent liabilities or assets of the Group since the last audited financial statements.

(14) Material Subsequent Events

There were no other material events subsequent to the end of the current quarter except for the following:

Pursuant to the condition stipulated in the Deed Poll dated 27 October 2003 governing the Warrants 2004/2009 and as amended in a Supplemental Deed Poll dated 11 March 2004, the Exercise Rights of the Warrants 2004/2009 will expire at 5.00 p.m. on Friday, 13 March 2009. The Exercise Price of the Warrants 2004/2009 is RM1.00 for each new Ordinary Share of Denko Industrial Corporation Berhad.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008

(15) Significant Related Parties Transactions

	9 Months ended 31.12.2008 (Unaudited) RM'000
-Sub contractor fees paid/payable	1,257
-Professional fees paid/payables	<u>48</u>

The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favourable to the Group and the Company than those arranged with independent third parties

(16) Reserves

	As at 31.12.2008 (Unaudited) RM'000	As at 31.03.2008 (Audited) RM'000
Non distributable:		
Share premium	3,136	3,136
Revaluation reserves	26	2,608
	<u>3,162</u>	<u>5,744</u>

(17) Trade and Other Payables

	As at 31.12.2008 (Unaudited) RM'000	As at 31.03.2008 (Audited) RM'000
Trade creditors	24,795	14,932
Other creditors and accruals	24,695	17,030
Provision for corporate guarantee	43	7,467
Amounts owing to directors	118	40
	<u>49,651</u>	<u>39,469</u>

Amounts owing to directors represent accruals for directors' fees and allowances payable for the current and previous financial year which are unsecured and interest free.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008

(18) Review of Current Quarter Performance

The Group's revenue increased approximately by RM2.381 million or 5.98%, from RM39.814 million in the same quarter in the preceding financial period ended 31 December 2007 to RM42.195 million in this quarter. The increase in revenue is due to increase in production as a result of the introduction of new products for manufacturing in the current and previous quarter.

The Group's performance declined from a pre tax profit of RM4.016 million in the same quarter in the preceding financial year to a pre tax loss of RM3.962 million for the current quarter. The significant drops in the results are mainly due to higher operating costs, effect on unrealised foreign exchange losses and inventories obsolesces.

(19) Comparison with Immediate Preceding Quarter's Results

The Group achieved revenue of RM42.195 million for the quarter under review. This represents an increase of RM759 thousand in revenues or 1.83% higher than of its previous quarter. The group registered a loss before tax of RM3.962 million in the current quarter as compared to the preceding quarter ended 30 September 2008 when it registered a profit before tax of RM831 thousand. The profit recorded in the previous quarter was mainly due to write back of the provision for corporate guarantee amounting to RM4.967 million.

(20) Current Year Prospects

Against the backdrop of global economic uncertainties, it is inevitable that the Group is expected to face challenging and difficult time for the rest of the financial period. The directors are taking serious measures to ride out this challenging time.

(21) Profit Forecast and Profit Guarantee

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

There are no further developments on the outstanding profit guarantee as reported in the Audited Financial Statements for the year ended 31 March 2008.

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 THIRD QUARTER ENDED 31 DECEMBER 2008

(22) Taxation

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
	31.12.2008 (Unaudited) RM'000	31.12.2007 (Unaudited) RM'000	31.12.2008 (Unaudited) RM'000	31.12.2007 (unaudited) RM'000
	In respect of current period			
-Malaysian income tax	213	(155)	(101)	(397)
-Deferred tax	300	145	704	(135)
	<u>513</u>	<u>(10)</u>	<u>603</u>	<u>(532)</u>

Income tax for the current quarter is in respect of tax arising on profits procured in certain subsidiary companies.

(23) Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and properties in the current quarter under review.

(24) Quoted securities

There was no purchase or disposal of quoted securities for the financial period ended 31 December 2008.

(25) Status of Corporate Proposals

There were no corporate proposals announced or completed as at the date of this announcement.

(26) Group Borrowings

Details of the unaudited Group borrowings as at 31 December 2008 are as follows

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Overdrafts	-	-	-	3,142	-	3,142
Bills Payable and Bankers Acceptance	-	-	-	13,594	-	13,594
Short Term payable	-	-	-	5,744	-	5,744
Hire Purchase payable	9,516	-	9,516	4,613	-	4,613
Long Term payable	21,628	-	21,628	-	-	-
TOTAL	31,144	-	31,144	27,093	-	27,093

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA - FOR THE THIRD QUARTER ENDED 31 DECEMBER 2008

(27) Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at the date of this current quarter.

(28) Material Litigation

There are no new and additional developments on the outstanding legal cases of the Company and its subsidiaries reported in this current quarter. All the outstanding material litigations have resolved in the previous quarter.

(29) Dividend Payable

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

(30) Basic Earnings Per Ordinary Share

The basic earnings 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		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	(Unaudited)	(Unaudited)	(Unaudited)	(unaudited)
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to ordinary equity holders of the parent	(3,449)	4,006	(3,254)	9,758
Weighted average number of ordinary shares in issue ('000)	104,469	104,220	104,469	103,756
Basic earnings/(loss) per share for (sen):	<u>(3.30)</u>	<u>3.84</u>	<u>(3.11)</u>	<u>9.40</u>

(31) Fully Diluted Earnings/(Loss) Per Ordinary Share

Fully diluted earnings/(loss) per ordinary share for the current period was not presented as there was an anti-dilutive effect on the conversion of WARRANTS to ordinary shares.

(32) Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 26 February 2009.