



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

**INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
31 DECEMBER 2011**

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

FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

	Note	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 9 months ended	
		31.12.2011 (Unaudited) RM'000	31.12.2010 (Unaudited) RM'000	31.12.2011 (Unaudited) RM'000	31.12.2010 (Unaudited) RM'000
Revenue	4	20,101	31,449	58,629	88,511
Cost of sales		(18,047)	(26,194)	(54,639)	(75,750)
Gross profit		2,054	5,255	3,990	12,761
Other income		405	601	1,099	1,404
Marketing and distribution costs		(833)	(958)	(2,215)	(2,774)
Administration expenses		(1,721)	(2,395)	(5,680)	(6,659)
Other operating expenses		(147)	(1,567)	(2,838)	(3,022)
Profit/(Loss) from operations		(242)	936	(5,644)	1,710
Finance costs		(534)	(640)	(1,736)	(2,038)
Profit/(Loss) before taxation	4	(776)	296	(7,380)	(328)
Taxation	20	-	139	(151)	(109)
Profit/(Loss) net of tax for the period		(776)	435	(7,531)	(437)
Attributable to:					
Profit/(Loss) per ordinary share attributable to equity holders of the parent		(776)	435	(7,531)	(437)
Basic profit/(loss) per ordinary share (sen)	28	(0.73)	0.42	(7.21)	(0.42)
Fully diluted profit/(loss) per ordinary share (sen)	29	-	-	-	-

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

	Note	AS AT 31.12.2011 (Unaudited) RM'000	AS AT 31.03.2011 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		63,943	72,795
Current assets			
Inventories		9,418	12,266
Trade and other receivables		17,750	19,197
Current tax assets		2,017	2,182
Cash and cash equivalents		2,044	3,348
Total current assets		31,229	36,993
Non-current assets held for sale	21	-	784
TOTAL ASSETS		95,172	110,572
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		104,469	104,469
Reserves		7,254	7,254
Accumulated losses		(75,101)	(67,570)
Total equity		36,622	44,153
Non-current liabilities			
Long term borrowings	24	10,702	14,800
Other payables		2,060	3,787
Deferred tax liabilities		5,621	5,784
Total non-current liabilities		18,383	24,371
Current liabilities			
Trade and other payables		21,121	22,748
Short term borrowings	24	19,047	19,026
Total current liabilities		40,168	41,774
Liabilities directly associated with non-current assets classified as held for sale	21	-	274
Total liabilities		58,551	66,419
TOTAL EQUITY AND LIABILITIES		95,173	110,572
Net assets per share attributable to equity holders of the parent (RM)		0.3506	0.4226

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

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

	Attributable to equity holders of the parent				Total
	-----Non-distributable-----			Accumulated	
	Share Capital	Share Premium	Revaluation Reserves		
RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 April 2011	104,469	3,136	4,118	(67,570)	44,153
Total comprehensive loss for the period	-	-		(7,531)	(7,531)
At 31 December 2011	104,469	3,136	4,118	(75,101)	36,622
At 1 April 2010	104,469	3,136	26	(68,052)	39,579
Total comprehensive loss for the period	-	-	-	(437)	(437)
At 31 December 2010	104,469	3,136	26	(68,489)	39,142

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

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

	Note	Period to date	
		31.12.2011 (Unaudited) RM'000	31.12.2010 (Unaudited) RM'000
Net cash (used in)/generated from operating activities		1,843	6,880
Net cash from investing activities		2,277	577
Net cash used in financing activities		(5,845)	(5,193)
Net (decrease)/increase in cash and cash equivalents		(1,725)	2,264
Cash and cash equivalents as at beginning of financial period		1,669	1,897
Cash and cash equivalents as at end of financial period		(56)	4,161
*Cash and cash equivalents at the end of the financial period comprise the following:			
Fixed deposits with licensed banks		1,611	1,579
Cash and bank balances		433	4,161
		2,044	5,740
Bank overdrafts	24	(489)	-
		1,555	-
<u>Less: Fixed deposits pledged to licensed banks</u>		(1,611)	(1,579)
		(56)	4,161

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

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

(1) Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (FRSs) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2011. These explanatory notes attached to the interim financial statements provides an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2011.

(2) Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted and disclosed in the audited financial statements for the year ended 31 March 2011.

(3) Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 March 2011 was not qualified.

(4) Segmental Reporting

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

Manufacturing	:	Manufacture and sales of consumer and industrial products
Trading	:	Wholesaler/retailer of foodstuff
Management services	:	Provision of Management services
Investment holdings & others	:	Investment holdings, dormant and inactive companies

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
<u>Segment Revenue</u>				
Manufacturing	12,579	22,428	37,692	64,111
Trading	7,508	9,112	21,001	24,600
Management services	342	446	1,226	1,176
Investment holdings & others	-	1,900	-	1,900
Total revenue including inter-segment sales	20,429	33,886	59,919	91,787
Elimination of inter-segment sales	(328)	(2,437)	(1,290)	(3,276)
Total revenue	20,101	31,449	58,629	88,511

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

(4) Segmental Reporting (Cont'd)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	31.12.2011 (Unaudited) RM'000	31.12.2010 (Unaudited) RM'000	31.12.2011 (Unaudited) RM'000	31.12.2010 (Unaudited) RM'000
<u>Segment Results</u>				
Manufacturing	(854)	1,347	(6,829)	1,411
Trading	252	203	128	282
Management services	191	287	719	602
Investment holdings & others	(365)	1,440	(1,398)	983
	<u>(776)</u>	<u>3,277</u>	<u>(7,380)</u>	<u>3,278</u>
Eliminations	<u>-</u>	<u>(2,981)</u>	<u>-</u>	<u>(3,606)</u>
Profit/(Loss) before taxation	<u>(776)</u>	<u>296</u>	<u>(7,380)</u>	<u>(328)</u>

There is no geographical segmental analysis as the operations of the Group are conducted within Malaysia. All inter segment transactions within the Group have been entered and established on terms and conditions that are not materially different from that entered with unrelated parties.

(5) Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no items of unusual nature and amounts affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

(6) Nature and Amount of Changes in Estimates

There were no significant changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that have a material effect in the current quarter.

(7) Comments about Seasonal or Cyclical Factors

The business operations of the Group's performance were not significantly affected by any seasonal and cyclical factors.

(8) Dividend Paid

There was no dividend paid for the 3rd quarter ended 31 December 2011.

(9) Valuations of Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without amendment from the financial statements for the year ended 31 March 2011.

(10) Debt and Equity Securities

The Group did not undertake any other issuance and/or repayment of debt and equity securities, share cancellations, shares held as treasury and resale of treasury shares for current quarter.

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134 - FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

(11) Changes in the Composition of the Group

There was no change in the composition of the Group during the current quarter.

(12) Commitments

(a) Capital commitments

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

	As at 31.12.2011 (Unaudited) RM'000
- Authorised but not contracted	-
- contracted but not provided	-
	<hr/>
	-
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(b) Non-Cancellable Operating Lease Commitment

	As at 31.12.2011 (Unaudited) RM'000
Minimum operating lease commitment payable	
- not later than one year	39
- later than one year but not later than five years	9
	<hr/>
	48
	<hr/>

(13) Changes in Contingent Liabilities and Contingent Assets

There were no changes to the contingent liabilities or contingent assets of the Group since the last audited financial statements except for the following:

The Company had issued a Corporate Guarantee to a financial institution to support the borrowings of a former subsidiary, CWSP Plastic Industry Sdn. Bhd. ("In Liquidation"). During the previous quarter under review, the Liquidator of CWSP had disposed the assets which were charged to the financial institution and utilised the proceeds to fully repay the borrowings.

The Company had on 21 November 2011 received the letter of discharge of the Corporate Guarantee from the said financial institution.

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

(14) Material Subsequent Events

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

(15) Significant Related Parties Transactions

	9 Months ended 31.12.2011 (Unaudited) RM'000
<u>Revenue</u>	
- Rental of machinery	283
- Disposal of property, plant and equipment	12
<u>Expense</u>	
- Supply of plastic parts and tooling	159
- Sub contractor fees	471
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The above transactions were entered in the ordinary course of business and established under negotiated and mutually agreed terms.

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

(16) Review of Current Quarter Performance

The Group's Revenue for the quarter ended 31st December 2011 ("Q3-FY12") decreased by RM11.35 million or 36% to RM20.10 million as compared to RM31.45 million revenue recorded in the previous corresponding quarter ("Q3-FY11"). The reduction was mainly due to the RM9.85 million lower revenue recorded by the Group's Manufacturing business.

The significantly lower revenue in the Manufacturing business resulted in lower utilisation of our production capacity and contributed to the reduction in the Group's Gross Margins to 10.8% (Q3-FY11: 16.7%). Consequently, the Group registered a Loss Before Taxation of RM0.78 million (Q3-FY11: Profit Before Taxation of RM0.30 million).

(17) Comparison with Immediate Preceding Quarter's Results

The Group achieved a RM0.76 million or 3.8% increase in revenue to RM20.10 million (Q2-FY12: RM19.37 million).

During Q3-FY12, the Group managed to significantly reduce its Loss before Taxation to RM0.78 million (Q2-FY12: Loss Before Taxation of RM3.83 million). This improvement is due to the combination of the following:

- the higher revenue recorded in Q3-FY12; and
- in Q2-FY12, the Group's results were adversely affected by a loss on disposal and the impairment of plant and machinery amounting to approximately RM1.15 million and RM0.39 million respectively.

(18) Current Year Prospects

The Group continues to face many challenges especially in its Manufacturing business. This segment continues to suffer from low capacity utilisation owing to intense competition within the domestic Plastic Injection Moulding Industry. Via our Key Customers, we are also exposed to the faltering economic growth in US and European markets. The severe flooding in Thailand generated some opportunities for the Manufacturing Business as some of our Key Customers placed new orders to cover the supply shortages at their affiliate plants in Thailand.

The Board expects the 4th quarter to remain challenging and it does not expect any material improvement in the financial position of the Group for the financial year ending 31 March 2012. The key issue is the low capacity utilisation of our Plant and Equipment.

The Group is continuing with its efforts to minimise its overheads and operating costs while striving to increase and diversify its revenue base. The various cost reduction and process improvement measures already implemented at the operational and management levels should contribute to future efficiency and productivity gains.

(19) Profit Forecast and Profit Guarantee

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

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

(20) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	31.12.2011 (Unaudited) RM'000	31.12.2010 (Unaudited) RM'000	31.12.2011 (Unaudited) RM'000	31.12.2010 (Unaudited) RM'000
In respect of current period				
-Malaysian income tax	-	139	(314)	33
-Deferred tax	-	-	163	(142)
	<u>-</u>	<u>139</u>	<u>(151)</u>	<u>(109)</u>

(21) Sale of Unquoted Investments and/or Properties

There were no sales of unquoted Investments and Properties in the current quarter under review.

(22) Quoted securities

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

(23) Status of Corporate Proposals

There are no further updates from the announcement made on 19 August 2011 in this current quarter.

(24) Group Borrowings

Details of the unaudited Group borrowings as at 31 December 2011 are as follows:

Type of borrowing	Short term borrowings	Long term borrowings	Total borrowings
	Secured	Secured	Secured
	RM'000	RM'000	RM'000
Bank Overdraft	489	-	489
Bills Payable and Bankers Acceptance	10,136	-	10,136
Revolving Credit	2,000	-	2,000
Hire Purchase Creditors	2,895	1,210	4,105
Term Loans	3,527	9,492	13,019
TOTAL	19,047	10,702	29,749

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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 2011

(25) Off Balance Sheet Financial Instruments

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

(26) Material Litigation

There are no new development and additional material litigation reported in this current quarter except for the following:

(i) **FEDERAL COURT NO. : 08(f)-368-2011(W)**

Parties: Denko Industrial Corporation Berhad (“DICB”) v Gigantic Innovations Sdn Bhd (“First Defendant”) and Thangarajoo a/l Vyran (“Second Defendant”)

The High Court had on 5 April 2010 delivered a decision in favour of the DICB to claim the balance of Profit Guarantee of RM3,000,000 together with interest and costs in relation to DICB’s purchase of Teknik Datasaad Sdn Bhd from the Defendants. However, pursuant to an appeal filed by the Defendants, the Court of Appeal had reversed the decision of the High Court and allowed the Defendants’ appeal on 27 July 2011.

On Counsel’s advice, DICB filed a Notice of Motion at the Federal Court for leave to appeal against the decision of the Court of Appeal. On 9 February, 2012 the Learned Judge dismissed DICB’s application with costs of RM10,000 to be paid to the Defendants.

(ii) **FEDERAL COURT NO. : 08(f)-367-2011(W)**

Parties: Teknik Datasaad Sdn Bhd (“Teknik”) vs Denko Industrial Corporation Berhad (“DICB”)

On 21 October 2010, Teknik had filed a Writ of Summon against DICB claiming they are the rightful recipient of the Profit Guarantee referred to in Clause 26(i) above instead of DICB. On 4 March 2011, the High Court had dismissed DICB’s application to strike out Writ of Summons. DICB lodged a Notice of Appeal at the Court of Appeal and the Appeal was dismissed on 27 July 2011.

On Counsel’s advice, DICB filed a Notice of Motion at the Federal Court for leave to appeal against the decision of the Court of Appeal. On 9 February, 2012 the Learned Judge dismissed DICB’s application with costs of RM10,000 to be paid to Teknik.

(27) Dividend Payable

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

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 2011

(28) Basic Profit/(Loss) Per Ordinary Share

The basic profit/(loss) per ordinary share of the Group are calculated by dividing the net profit/(loss) for the current period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares in issue during the period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(Loss) attributable to ordinary equity holders of the parent ("000")	(776)	435	(7,531)	(437)
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>(0.73)</u>	<u>0.42</u>	<u>(7.21)</u>	<u>(0.42)</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

	As at 31.12.2011 (Unaudited) RM'000
Total accumulated losses of the Group	
- Realised	(68,811)
- Unrealised	(6,290)
Total Group accumulated losses as per consolidated financial statements	<u>(75,101)</u>

(31) Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 24 February 2012.