

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

**QUARTERLY ANNOUNCEMENT**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS PERIOD ENDED**  
**30 JUNE 2006**

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2006**

	Note	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
		30.06.2006 (Unaudited) RM'000	30.06.2005 (Unaudited) RM'000 (Restated)	30.06.2006 (Unaudited) RM'000	30.06.2005 (Unaudited) RM'000 (Restated)
Revenue	11	22,030	23,719	22,030	23,719
Cost of sales		(19,160)	(19,786)	(19,160)	(19,786)
Gross profit		<u>2,870</u>	<u>3,933</u>	<u>2,870</u>	<u>3,933</u>
Other operating income		970	808	970	808
Marketing and distribution costs		(1,135)	(1,234)	(1,135)	(1,234)
Administration expenses		(2,041)	(2,626)	(2,041)	(2,626)
Other operating expenses		-	-	-	-
Profit from operations	11	<u>664</u>	<u>881</u>	<u>664</u>	<u>881</u>
Finance costs		(840)	(884)	(840)	(884)
Loss before taxation		(176)	(3)	(176)	(3)
Tax expense	22	<u>(256)</u>	<u>(573)</u>	<u>(256)</u>	<u>(573)</u>
<b>Net loss for the period</b>		<u>(432)</u>	<u>(576)</u>	<u>(432)</u>	<u>(576)</u>
Attributable to:					
Equity holders of the Parent		<u>(432)</u>	<u>(576)</u>	<u>(432)</u>	<u>(576)</u>
<b>Earnings/(loss) per ordinary share attributable to equity holders of the parent</b>					
Basic loss per ordinary share (sen)	30	<u>(0.45)</u>	<u>(0.78)</u>	<u>(0.45)</u>	<u>(0.78)</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 2006 and the accompanying explanatory notes attached to the interim financial statements.

**DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)**  
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**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2006**

	Note	AS AT 30.06.2006 (Unaudited) RM'000	AS AT 31.03.2006 (Audited) RM'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6, 12	75,703	73,803
Prepaid lease payments	2(c)	7,164	7,201
Investment in an associated company		30	-
Securities available for sale	24	4	4
		82,901	81,008
<b>Current assets</b>			
Inventories		19,308	18,234
Trade and other receivables		20,381	23,356
Tax recoverable		2,403	2,337
Fixed deposits with licensed banks		704	808
Cash and bank balances		1,219	308
		44,015	45,043
<b>TOTAL ASSETS</b>		<b>126,916</b>	<b>126,051</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		95,325	95,325
Reserves	32	16,356	16,798
Accumulated losses		(78,030)	(78,541)
<b>Total equity</b>		<b>33,651</b>	<b>33,582</b>
<b>Non-current liabilities</b>			
Long term borrowings	26	18,381	19,804
Deferred tax liabilities		9,605	9,455
		27,986	29,259
<b>Current liabilities</b>			
Trade and other payables	33	33,699	32,429
Short term borrowings	26	30,603	29,804
Tax liabilities		977	977
		65,279	63,210
<b>Total liabilities</b>		<b>93,265</b>	<b>92,469</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>126,916</b>	<b>126,051</b>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>		<b>0.3530</b>	<b>0.3523</b>

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.

**DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)**  
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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 30 JUNE 2006**

Note	Attributable to equity holders of the parent							Accumulated Losses (Restated)	Total
	-----Non-distributable-----								
	Share Capital	Share Premium	Revaluation Reserves	Reserve on Consolidation	Equity Component of RCLS	Irredeemable Convertible Unsecured Loan Stock			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>At 1 April 2006</b>	95,325	3,136	4,577	442	737	7,906	(78,542)	33,581	
Prior year adjustment									
-effects of adopting FRS 139	2(d),10(a)	-	-	-	-	-	1	1	
	95,325	3,136	4,577	442	737	7,906	(78,541)	33,582	
ICULS Interest	-	-	-	-	-	-	(99)	(99)	
Profit guarantee	-	-	-	-	-	-	600	600	
Effects of adopting: -FRS 3	2(a)	-	-	-	(442)	-	442	-	
Net income and expenses recognised directly in equity		-	-	-	(442)	-	943	501	
Net loss for the period		-	-	-	-	-	(432)	(432)	
Total recognised income and expenses for the period		-	-	-	(442)	-	511	69	
<b>At 30 June 2006</b>		95,325	3,136	4,577	-	737	(78,030)	33,651	

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 30 JUNE 2005**

Note	Attributable to equity holders of the parent							Accumulated Losses (Restated)	Total
	Share Capital	Share Premium	Revaluation Reserves	Non-distributable Reserve on Consolidation	Equity Component of RCLS	Irredeemable Convertible Preference Shares	Irredeemable Convertible Unsecured Loan Stock		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 April 2005</b>	73,269	3,136	3,848	491	737	20,391	9,176	(79,587)	31,461
ICULS Interest	-	-	-	-	-	-	-	(109)	(109)
Net income and expenses recognised directly in equity	-	-	-	-	-	-	-	(109)	(109)
Net loss for the period	-	-	-	-	-	-	-	(576)	(576)
Total recognised income and expenses for the period	-	-	-	-	-	-	-	(685)	(685)
Conversion of ICULS	437	-	-	-	-	-	(437)	-	-
<b>At 30 June 2005</b>	<b>73,706</b>	<b>3,136</b>	<b>3,848</b>	<b>491</b>	<b>737</b>	<b>20,391</b>	<b>8,739</b>	<b>(80,272)</b>	<b>30,776</b>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.

**DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)**  
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2006**

	Note	Period to date	
		30.06.2006 (Unaudited) RM'000	30.06.2005 (Unaudited) RM'000
Net cash generated from operating activities		5,244	2,648
Net cash (used in)/generated from investing activities		(3,813)	606
Net cash generated from/(used in) financing activities		<u>259</u>	<u>(959)</u>
Net increase in cash and cash equivalents		1,690	2,295
Cash and cash equivalents as at beginning of financial period		<u>(6,798)</u>	<u>(9,938)</u>
Cash and cash equivalents as at end of financial period*		<u>(5,108)</u>	<u>(7,643)</u>
*Cash and cash equivalents at the end of the financial period comprise the following:			
Fixed deposits with licensed banks		704	2,595
Cash and bank balances		1,219	1,824
Bank overdrafts	26	<u>(6,327)</u>	<u>(9,467)</u>
		(4,404)	(5,048)
Less: Fixed deposits pledged to licensed banks		<u>(704)</u>	<u>(2,595)</u>
		<u>(5,108)</u>	<u>(7,643)</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2006 and the accompanying explanatory notes attached to the interim financial statements.

**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134**

**(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 2006. 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 2006.

**(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 in the audited financial statements for the year ended 31 March 2006 except for the adoption of the new/revised Financial Reporting Standards (“FRSs”). The MASB issued a total of twenty one (21) new/revised FRSs on which Eighteen (18) FRSs are effective for accounting period beginning on or after 1 January 2006. The MASB in 2006 issued three (3) new/revised FRSs on which two (2) FRSs are effective for accounting period beginning on or after 1 October 2006 and the other standards has been deferred.

The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group’s interim financial statements for the period ended 30 June 2006 including early adoption the three (3) FRSs issued by the MASB in 2006, on the basis that these FRSs are currently in issue.

The principal effects of the changes in accounting policies resulting from the adoption of new/revised FRSs are as follows:

**(a) FRS 3: Business Combinations**

The new FRS 3 has resulted in the Group ceasing annual negative goodwill amortisation. Under FRS 3, any excess of the Group’s interest in the net fair value of acquirees’ identifiable assets, liabilities, and contingent liabilities over cost of acquisition (previously referred to as “negative goodwill”), after reassessment, is now recognised immediately in profit or loss. Prior to 1 April 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 April 2006 of RM441,829 was derecognised with a corresponding decrease in accumulated losses.

**(b) FRS 101: Presentation of Financial Statements**

The current period’s presentation of the Group’s financial statements is based on the revised requirement of FRS 101, with the comparatives restated to conform with the current period’s presentation.

**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134**

**(c) FRS 117: Leases**

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land is apportioned into a lease of land in proportion to the relative fair value of the leasehold interests in the land element of the lease at the inception of the lease. Prior to 1 January 2006, leasehold land was classified a Property, Plant and Equipment and was stated at valuation less accumulated depreciation and impairment losses. The leasehold land was last revalued between September 2005 and May 2006 and are based on valuations carried out by the independent professional valuers on open market value or direct comparison basis.

Upon the adoption of the revised FRS 117 at 1 April 2006, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 10(a), certain comparative amounts as at 31 March 2006 have been restated.

**(d) FRS 139: Financial Instruments: Recognition and Measurement**

In prior years, the accounting policies for certain financial instruments were as follows:

- a. equity investments held on a continuing basis for an identifiable long-term purpose were classified as investments securities and stated at cost less impairment;
- b. other non-current investments were stated at cost less allowance for diminution which is other than temporary.

With effect from 1 April 2006, and in accordance with FRS 139, the following new accounting policies are adopted for the financial instruments mentioned above:

- c. All non-trading investments are classified as securities available-for-sale and carried at fair value. Changes in fair value are recognised in equity, unless there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the income statements for the period in which the impairment is identified. Any subsequent increase in the fair value of securities available-for-sale is recognised directly in equity.

**(3) Comments about Seasonal or Cyclical Factors**

The Group's performance is affected by the increased activity in the trading segment during the major festivals period.

**(4) 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 except for the following:

- adoption of FRS 3 whereby annual amortisation of negative goodwill was ceased and was derecognised with a corresponding decrease in accumulated losses;
- adoption of FRS 117 whereby leasehold land was reclassified as a prepaid lease payments on 1 April 2006 instead of as an item of the Property, Plant and Equipment;



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- adoption of FRS 139 whereby non-trading investments are classified as securities available-for-sale and carried at fair value.

**(5) Nature and Amount of Extraordinary or Exceptional Items**

There were no extraordinary or exceptional items for the financial quarter under review.

**(6) Nature and Amount of Changes in Estimates**

The revised FRS 116: Property, Plant and Equipment require the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group has revised certain useful life and residual value of the plant and machinery and the revision does not have a material impact to the financial results.

There were no other significant changes in estimates that have a material effect in the current quarter results.

**(7) Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period.

**(8) Dividend Paid**

There was no dividend paid for the 1<sup>st</sup> quarter ended 30th June 2006.

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

The auditors' report on the financial statements for the year ended 31 March 2006 was not qualified.

**(10) Comparative Figures**

- (a) The following comparative figures have been restated due to the adoption of the new and revised FRSs:

	Note	As previously reported (Audited)	Effects of changes in accounting policies	Restated
		RM'000	RM'000	RM'000
<b>As at 31 March 2006</b>				
<b>Balance Sheets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	6, 12	81,004	(7,201)	73,803
Prepaid lease payments	2(b)	-	7,201	7,201
<b>Equity attributable to equity holders of the parent</b>				
Accumulated losses	2(d)	78,542	(1)	78,541

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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134**

**(10) Comparative Figures (con't)**

- (b) The following comparative figures have been restated due to correction of the Irredeemable Convertible Preferences Shares (ICULS) interest wrongly debited to income statements, instead of changes in equity in prior period ended 30 June 2005. Accordingly, the following comparative figures have been restated to reflect the correction and ensure comparability with the current period presentation. Details of restatement are as follows:

<b>As at 30 June 2005</b>	As previously reported (Unaudited)	Effect of changes	Restated
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Income Statements</b>			
Finance costs	(993)	109	(884)
Net loss for the period	(685)	109	(576)
Basic loss per share (sen)	(0.93)	0.15	(0.78)
<b>Statement of Changes in Equity</b>			
ICULS interest	-	(109)	(109)

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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134**

**(11) 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
Investment holdings & others	:	Investment holdings, dormant and inactive companies

<b>For the three months ended 30 June 2006</b>	<b>Manufactu-ring</b>	<b>Trading</b>	<b>Property rental</b>	<b>Investment holdings &amp; others</b>	<b>Eliminations</b>	<b>Consolidation</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Segment Revenue</u></b>						
Revenue						
External	17,257	4,773	-	-	-	22,030
Inter-segment sales	212	-	-	690	(902)	-
<b>Total revenue</b>	<b>17,469</b>	<b>4,773</b>	<b>-</b>	<b>690</b>	<b>(902)</b>	<b>22,030</b>
<b><u>Segment Results</u></b>						
Segment results	(276)	(410)	14	2,676	(1,340)	664
Finance costs	(646)	(62)	(1)	(131)	-	(840)
Profit/(loss) before tax	(922)	(472)	13	2,545	(1,340)	(176)
Tax expense	(256)	-	-	-	-	(256)
Net profit/(loss) for the financial period	(1,178)	(472)	13	2,545	(1,340)	(432)

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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING  
STANDARDS (FRSs) 134**

**(11) Segmental Reporting (con't)**

<b>For the three months ended 30 June 2006</b>	<b>Manufactu -ring</b>	<b>Trading</b>	<b>Property rental</b>	<b>Investment holdings &amp; others</b>	<b>Elimina- tions</b>	<b>Consolid- ation</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Other information</u></b>						
Segment assets	98,750	9,034	6,133	10,596	-	124,513
Unallocated corporate assets	697	692	-	1,014	-	2,403
Total assets	99,447	9,726	6,133	11,610	-	126,916
Segment liabilities	55,682	7,132	337	19,532	-	82,683
Unallocated corporate liabilities	6,513	(7)	1,508	2,568	-	10,582
Total liabilities	62,195	7,125	1,845	22,100	-	93,265

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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134**

**(11) Segmental Reporting (con't)**

<b>For the three months ended 30 June 2005</b>	<b>Manufactu-ring</b>	<b>Trading</b>	<b>Property rental</b>	<b>Investment holdings &amp; others</b>	<b>Elimina-tions</b>	<b>Consolid-ation</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Segment Revenue</u></b>						
Revenue						
External	19,029	4,691	-	(1)	-	23,719
Inter-segment sales	295	-	-	195	(490)	-
<b>Total revenue</b>	<b>19,324</b>	<b>4,691</b>	<b>-</b>	<b>194</b>	<b>(490)</b>	<b>23,719</b>
<b><u>Segment Results</u></b>						
Segment results	660	(45)	(45)	(6,234)	6,545	881
Finance costs	(628)	(42)	(1)	(213)	-	(884)
Profit/(loss) before tax	32	(87)	(46)	(6,447)	6,545	(3)
Tax expense	(398)	(175)	-	-	-	(573)
Net loss for the financial period	(366)	(262)	(46)	(6,447)	6,545	(576)

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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134**

**(11) Segmental Reporting (con't)**

<b>For the three months ended 30 June 2005</b>	<b>Manufactu-ring</b>	<b>Trading</b>	<b>Property rental</b>	<b>Investment holdings &amp; others</b>	<b>Elimina-tions</b>	<b>Consolid-ation</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Other information</u></b>						
Segment assets	106,756	10,216	6,211	13,554	-	136,737
Unallocated corporate assets	-	-	-	304	-	304
<b>Total assets</b>	<b>106,756</b>	<b>10,216</b>	<b>6,211</b>	<b>13,858</b>	<b>-</b>	<b>137,041</b>
Segment liabilities	60,772	5,235	315	27,459	-	93,781
Unallocated corporate liabilities	4,928	964	1,331	5,261	-	12,484
<b>Total liabilities</b>	<b>65,700</b>	<b>6,199</b>	<b>1,646</b>	<b>32,720</b>	<b>-</b>	<b>106,265</b>

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.

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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134**

**(12) 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, 2006.

**(13) Material Subsequent Events**

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

On 31 July 2006, the Company issued 2,020,829 new ordinary shares of RM1.00 each pursuant to the conversion of RM2,020,829 nominal amount of Irredeemable Convertible Unsecured Loan Stocks 2004-2007 (ICULS). With this conversion the remaining outstanding ICULS stands at RM5,885,561.

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

There was no change in the composition of the Group during the current quarter, except for the followings:

On 25<sup>th</sup> April, 2006, a subsidiary of the Group, Winsheng Plastic Industry Sdn. Bhd. (“WINSHENG”) acquired a 30% interest, for a cash consideration of RM30,000 in EMC Dinamik Sdn. Bhd. (“EMC”), a Company incorporated in Malaysia whose principal activities are in marketing and distribution of automotive plastic parts and complete assembly products. With this acquisition, EMC becomes an associated company of WINSHENG and the Group.

On 30<sup>th</sup> May 2006, WSP Plastic Industry Sdn. Bhd. (“WSPP”), a wholly owned subsidiary of WINSHENG and the Group, a Company incorporated in Malaysia which is involved in the manufacturing of plastic injection moulding products, increased its share capital from RM2 to RM2,000,000, by way of issuance 1,999,998 fully paid-up ordinary shares of RM1.00 each for cash which was fully subscribed by WINSHENG.

**(15) Changes in Contingent liabilities and Contingent assets**

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

A third party change on the short term leasehold land belong to the group for increase in credit facilities of RM51,993 granted earlier to a former subsidiary company namely Skiva Holdings Sdn. Bhd..

**(16) Capital Commitments**

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2006 are as follows:

Approved by the Directors and contracted for	<b>RM'000</b> 1,068
Authorised by the Directors but not contracted	11,935
	<hr/>
	13,003
	<hr/>

**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134**

**(17) Significant Related Parties Transactions**

	<b>3 Months ended 30 June 2006</b>
	<b>RM</b>
<b>Sub contractor fees paid/payables to:</b>	
Concordmold Technology Sdn. Bhd.	8,625
<b>Professional fees paid/payables to:</b>	
C.L. Boo & Associates	9,450
Moore Stephens Associates & Co.	6,500
Rental paid to Yong Boon Leong	27,000

The terms, conditions and prices of the above transactions are not materially different from those obtainable in transactions with unrelated parties.

<b>Related parties</b>	<b>Relationships</b>
Concordmold Technology Sdn. Bhd.	Related by common Directors and shareholders, namely Liew Young Chong's wife and brother.
C.L. Boo & Associates	Related by common Director namely Boo King Ong.
Moore Stephens Associates & Co.	Related by common Director, namely Thoolasy Das Ponniah's brother.
Yong Boon Leong	Brother of common Director, namely Yong Boon Cheong.

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

The Group's revenue decreased by approximately RM1.689 millions or 7.12%, from RM23.719 millions in the same quarter in the preceding financial year to RM22.030 millions in this quarter. The decreases in revenue are due to seasonal demand of trading and drop in demand of manufacturing sector in first quarter of the year.

The Group's pretax loss increased from RM3,000 in the same quarter in the preceding financial year to a pretax loss of RM176,000 in this quarter due to decrease in revenue.

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

The Group achieved revenue of RM22.030 millions for the quarter under review. This represents a reduction of RM4.832 millions in revenue or 17.99 % lower than that of its previous quarter. The decrease in revenue is due to lower demand from customers. The loss before tax decreased by RM2.179 millions as compared to the previous quarter ended 31 March, 2006, as the previous quarter results contained various provisions and impairments which were not required for the current quarter.

**(20) Current Year Prospects**

The Group's business prospect in the plastic division is expected to improve further. However, the other segments of businesses pose challenges that are being addressed in order to improve the Group's performance.



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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134**

**(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 2006.

**(22) Tax expense**

	<b>INDIVIDUAL QUARTER 3 months ended</b>		<b>CUMULATIVE QUARTER 3 months ended</b>	
	<b>30.06.2006 (Unaudited) RM'000</b>	<b>30.06.2005 (Unaudited) RM'000</b>	<b>30.06.2006 (Unaudited) RM'000</b>	<b>30.06.2005 (Unaudited) RM'000</b>
Income tax:				
Malaysia income tax	(106)	(180)	(106)	(180)
Deferred tax	(150)	(393)	(150)	(393)
	<u>(256)</u>	<u>(573)</u>	<u>(256)</u>	<u>(573)</u>

There is a tax charge at Group level, despite losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, as Group tax relief is not available and certain expenses are not deductible for tax purposes.

**(23) Sale of Unquoted Investments and/or Properties**

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

**(24) Securities available for sale**

There was no purchase or disposal of quoted security for the financial period ended 30 June 2006.

Details of securities available for sale as at 30 June 2006 are as follows:

	<b>As at 30.6.2006 (Unaudited) RM</b>	<b>As at 31.3.2006 (Audited) RM (Restated)</b>
Included within securities available-for-sale:		
Quoted shares, at cost	2,800	2,800
Quoted shares, at book value	3,900	3,420
Quoted shares, at market value	3,900	3,420
Unquoted shares, at realisable value	<u>1</u>	<u>1</u>

**(25) Status of Corporate Proposals**

There were no corporate proposals announced or not completed as at the date of this announcement.

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**

**(26) Group borrowings and debt securities as at 30 June 2006:**

Details of the unaudited Group borrowings and debt securities as at 30 June 2006 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
<b><u>Debt securities</u></b>						
Redeemable Convertible Secured Loan Stocks (RCSLS)	3,317	-	3,317	1,633	-	1,633
<b><u>Other borrowings</u></b>						
Bank Overdrafts	-	-	-	6,237	90	6,327
Bills Payable and Bankers Acceptance	-	-	-	12,794	215	13,009
Short Term payable	-	-	-	6,174	-	6,174
Hire Purchase payable	4,820	-	4,820	3,460	-	3,460
Long Term payable	10,244	-	10,244	-	-	-
<b>TOTAL</b>	<b>18,381</b>	<b>-</b>	<b>18,381</b>	<b>30,298</b>	<b>305</b>	<b>30,603</b>

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**

**(26) Group borrowings and debt securities as at 30 June 2005 (con't):**

Details of the unaudited Group borrowings and debt securities as at 30 June 2005 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
<b><u>Debt securities</u></b>						
Redeemable Convertible Secured Loan Stocks (RCSLS)	4,162	-	4,162	544	-	544
<b><u>Other borrowings</u></b>						
Bank Overdrafts	-	-	-	9,467	-	9,467
Bills Payable and Bankers Acceptance	-	-	-	8,955	-	8,955
Short Term payable	-	-	-	12,870	-	12,870
Hire Purchase payable	2,245	-	2,245	2,053	-	2,053
Long Term payable	11,823	-	11,823	-	-	-
<b>TOTAL</b>	<b>18,230</b>	<b>-</b>	<b>18,230</b>	<b>33,889</b>	<b>-</b>	<b>33,889</b>

**(27) Off Balance Sheet Financial Instruments**

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

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**

**(28) Details of pending material litigation**

- (i) *Beau Industries Sdn. Bhd. Vs New Height Marketing Sdn. Bhd. (1<sup>st</sup> defendant)*  
*Beau Industries Sdn. Bhd. Vs Denko Industrial Corporation Berhad (2<sup>nd</sup> defendant)*  
*Kuala Lumpur High Court Suit No. D5-22-397-2005*  
*Kuala Lumpur High Court Suit No. D4-22-1526-2005*

On 23 February, 2005, a Notice of Demand was served by the Plaintiff for RM991,175.25 in respect of goods sold and delivered.

A writ of summons was served on the Company on 24 May, 2005. An announcement to Bursa Securities Malaysia Berhad (“Bursa Securities”) was made on 25 May, 2005. The Company’s solicitor has filed the defence and the Plaintiff had obtained a Summary Judgment against the Defendants on 3 March, 2006.

The High Court on 3 August, 2006 has dismissed an appeal against the decision of the Senior Assistant Registrar dated 3 March 2006. Consequently, on 14 August, 2006, the plaintiff had served a statutory notice under section 218 of the Companies Act, 1965. On the same date, the Company had notified its solicitor to apply for a stay of execution, pending an appeal at the Court of Appeal. The Court has yet to fix a hearing date for the Appeal. This liability has been accounted for accordingly in the Subsidiary’s accounts except for the interest that may arise thereon.

- (ii) *Superb Strike Enterprise Vs New Height Marketing Sdn. Bhd.*  
*Kuala Lumpur Session Court Suit No. 7-52-8911-2005*

On 22 March, 2005, a Notice of Demand was served by the Plaintiff for RM40,247.44 in respect of goods sold and delivered.

A writ of summon was received from the Plaintiff and announcement to Bursa Securities has been made on 10 June, 2005. The Court which had fixed the case for 26 May, 2006 for the hearing of the Plaintiff’s application for summary judgment has now adjourned to 3 October, 2006. This liability has been accounted for accordingly in the Subsidiary’s accounts except for the interest that may arise thereon.

- (iii) *Mount Resource Sdn. Bhd. Vs New Height Marketing Sdn. Bhd.*  
*Kuala Lumpur Session Court Suit No. 5-52-8637-2005*

On 22 March 2005, a Notice of Demand was served by the Plaintiff for RM75,385.50 in respect of goods sold and delivered.

The Plaintiff has filed a summons in court and announcement to Bursa Securities was made on 20 June 2005. The Plaintiff’s application for summary judgment on 13 March 2006 was dismissed by the Court. Currently, the plaintiff had submitted an appeal against the decision on 20 March 2006. The Court has fixed this matter for 6 November 2006 pending the disposal of the Plaintiff’s appeal against the dismissal of the application for summary judgment. This liability has been accounted for accordingly in the Subsidiary’s accounts except for the interest that may arise thereon.

Other than the above, there are no new developments on the outstanding legal cases of the Company and its Subsidiaries and there are no additional material litigation reported in this current quarter. The liabilities that arose from the material litigations had been accounted for accordingly in the Company and its Subsidiaries accounts except for the any incidental costs that may arise thereon.

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**

**(29) Dividend Payable**

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

**(30) Basic Loss Per Ordinary Share**

The basic loss per ordinary share of the Group are calculated by dividing the net 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</b>		<b>CUMULATIVE QUARTER 3 months ended</b>	
	<b>30.06.2006 (Unaudited) RM'000</b>	<b>30.06.2005 (Unaudited) RM'000 (Restated)</b>	<b>30.06.2006 (Unaudited) RM'000</b>	<b>30.06.2005 (Unaudited) RM'000 (Restated)</b>
Loss attributable to ordinary equity holders of the parent	(432)	(576)	(432)	(576)
Weighted average number of ordinary shares in issue ('000)	95,325	73,706	95,325	73,706
Basic loss per share (sen)	(0.45)	(0.78)	(0.45)	(0.78)

**(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 RCSLS and ICULS to ordinary shares.

**(32) Reserves**

	<b>As at 30.6.2006 (Unaudited) RM'000</b>	<b>As at 31.3.2006 (Audited) RM'000</b>
Non distributable:		
Share premium	3,136	3,136
Revaluation reserves	4,577	4,577
Reserve on consolidation	-	442
Redeemable convertible secured loan stocks (RCSLS)	737	737
Irredeemable convertible unsecured loan stocks (ICULS)	7,906	7,906
	<b>16,356</b>	<b>16,798</b>

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**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING  
REQUIREMENTS OF BURSA MALAYSIA**

**(33) Trade and other payables**

	<b>As at 30.6.2006 (Unaudited) RM'000</b>	<b>As at 31.3.2006 (Audited) RM'000</b>
Trade creditors	13,890	12,934
Other creditors and accruals	14,975	14,690
Provision for corporate guarantee	4,757	4,757
Amounts owing to directors	77	48
	<hr/>	<hr/>
	33,699	32,429
	<hr/>	<hr/>

Amounts owing to directors

Amounts owing to directors represent accrual for directors fee payable for the current and previous financial year which are unsecured, interest free and have no fixed term of repayment.

**(34) Authorised for issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 30 August 2006.