



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

**INTERIM FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED  
31 MARCH 2008**

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

**FOR THE FOURTH QUARTER ENDED 31 MARCH 2008**

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

**CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FOURTH QUARTER ENDED 31 MARCH 2008**

|  | Note | INDIVIDUAL<br>QUARTER<br>3 months ended |                                     | CUMULATIVE<br>QUARTER<br>12 months ended |                                   |
|--|------|---|-------------------------------------|--|-----------------------------------|
|  |      | 31.03.2008<br>(Unaudited)<br>RM'000     | 31.03.2007<br>(Unaudited)<br>RM'000 | 31.03.2008<br>(Unaudited)<br>RM'000      | 31.03.2007<br>(Audited)<br>RM'000 |
| Revenue  | 4    | 33,928                                  | 29,938                              | 143,177                                  | 111,680                           |
| Cost of sales  |      | (28,973)                                | (26,157)                            | (118,929)                                | (95,555)                          |
| Gross profit   |      | 4,955                                   | 3,781                               | 24,248                                   | 16,125                            |
| Other operating income   |      | 1,606                                   | (597)                               | 4,739                                    | 2,774                             |
| Gain on deconsolidation of<br>subsidiary companies   |      | -                                       | -                                   | 4,954                                    | -                                 |
| Marketing and distribution costs   |      | (1,928)                                 | (997)                               | (4,408)                                  | (4,619)                           |
| Administration expenses  |      | (2,306)                                 | (2,741)                             | (12,049)                                 | (10,835)                          |
| Other operating expenses   |      | (2,104)                                 | (1,775)                             | (4,418)                                  | (1,775)                           |
| Profit/(loss) from operations  |      | 223                                     | (2,329)                             | 13,066                                   | 1,670                             |
| Finance costs  |      | 185                                     | (718)                               | (2,361)                                  | (3,144)                           |
| Share of loss of an associate  |      | (4)                                     | (17)                                | (11)                                     | (17)                              |
| Profit/(loss) before taxation  | 4    | 404                                     | (3,064)                             | 10,694                                   | (1,491)                           |
| Taxation   | 22   | (841)                                   | 2,720                               | (1,373)                                  | 1,913                             |
| Profit/(loss) from continuing<br>operations  |      | (437)                                   | (344)                               | 9,321                                    | 422                               |
| <b>Discontinued operation</b>  |      |   |                                     |  |                                   |
| Profit/(loss) from discontinued<br>operation   |      | -                                       | 130                                 | -  | (99)                              |
| <b>Profit/(loss) for the period</b>  |      | <b>(437)</b>                            | <b>(214)</b>                        | <b>9,321</b>                             | <b>323</b>                        |
| Attributable to:   |      |   |                                     |  |                                   |
| Equity holders of the Parent   |      | (437)                                   | (214)                               | 9,321                                    | 323                               |
| <b>Earnings/(Loss) per ordinary<br/>share attributable to equity<br/>holders of the parent</b> |      |   |                                     |  |                                   |
| Basic earnings/(loss) per ordinary<br>share (sen)  |      |   |                                     |  |                                   |
| - from continuing operations   | 30   | (0.42)                                  | (0.35)                              | 8.97                                     | 0.43                              |
| - from discontinued operation  | 30   | -                                       | 0.13                                | -  | (0.10)                            |
|  |      | (0.42)                                  | (0.22)                              | 8.97                                     | 0.33                              |
| Fully diluted earnings/(loss) per<br>ordinary share (sen)                                      | 31   | -                                       | -                                   | -  | -                                 |

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2007 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 FOURTH QUARTER ENDED 31 MARCH 2008**

|   | Note | AS AT<br>31.03.2008<br>(Unaudited)<br>RM'000 | AS AT<br>31.03.2007<br>(Audited)<br>RM'000 |
|---|------|--|--|
| <b>ASSETS</b>   |      |  |  |
| <b>Non-current assets</b>   |      |  |  |
| Property, plant and equipment   |      | 85,031                                       | 75,767                                     |
| Prepaid land lease payments   |      | 4,918  | 6,313                                      |
| Investment in an associated company   |      | 2  | 13   |
| Other investment  | 24   | -  | *  |
| <b>Total non-current assets</b>   |      | <b>89,951</b>                                | <b>82,093</b>                              |
| <b>Current assets</b>   |      |  |  |
| Inventories   |      | 17,498                                       | 18,060                                     |
| Trade and other receivables   |      | 25,733                                       | 23,315                                     |
| Current tax assets  |      | 1,263  | 3,264                                      |
| Fixed deposits with licensed banks  |      | 1,162  | 756  |
| Cash and bank balances  |      | 1,720  | 1,708                                      |
| <b>Total current assets</b>   |      | <b>47,376</b>                                | <b>47,103</b>                              |
| Non-current asset held for sale   |      | 4,893  | -  |
| <b>TOTAL ASSETS</b>   |      | <b>142,220</b>                               | <b>129,196</b>                             |
| <b>EQUITY AND LIABILITIES</b>   |      |  |  |
| <b>Equity attributable to equity holders of the parent</b>                    |      |  |  |
| Share capital   |      | 104,469                                      | 103,526                                    |
| Reserves  | 16   | 5,744  | 5,985                                      |
| Accumulated losses  |      | (66,104)                                     | (75,425)                                   |
| <b>Total equity</b>   |      | <b>44,109</b>                                | <b>34,086</b>                              |
| <b>Non-current liabilities</b>  |      |  |  |
| Long term borrowings  | 26   | 20,615                                       | 15,323                                     |
| Deferred tax liabilities  |      | 8,284  | 8,092                                      |
| <b>Total non-current liabilities</b>  |      | <b>28,899</b>                                | <b>23,415</b>                              |
| <b>Current liabilities</b>  |      |  |  |
| Trade and other payables  | 17   | 39,469                                       | 35,082                                     |
| Short term borrowings   | 26   | 25,799                                       | 32,148                                     |
| <b>Total current liabilities</b>  |      | <b>65,268</b>                                | <b>67,230</b>                              |
| Liabilities directly associated with assets classified as held for sale       |      | 3,944  | 4,465                                      |
| <b>Total liabilities</b>  |      | <b>98,111</b>                                | <b>95,110</b>                              |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |      | <b>142,220</b>                               | <b>129,196</b>                             |
| <b>Net assets per share attributable to equity holders of the parent (RM)</b> |      | <b>0.4222</b>                                | <b>0.3293</b>                              |

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 March 2007 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 FOURTH QUARTER ENDED 31 MARCH 2008 (UNAUDITED)**

|   | Attributable to equity holders of the parent |                             |                         |                                 |                       | Total  |
|---|--|-----------------------------|-------------------------|---------------------------------|-----------------------|--------|
|   | Share Capital                                | -----Non-distributable----- |                         | Equity<br>Component of<br>RCSLS | Accumulated<br>Losses |        |
|   |  | Share<br>Premium            | Revaluation<br>Reserves |                                 |                       |        |
|   | RM'000                                       | RM'000                      | RM'000                  | RM'000                          | RM'000                |        |
| <b>At 1 April 2007</b>                                | 103,526                                      | 3,136                       | 2,112                   | 737                             | (75,425)              | 34,086 |
| Transfer to deferred tax liabilities                  | -  | -                           | 496                     | -                               | -                     | 496    |
| Net income and expenses recognised directly in equity | -  | -                           | 496                     | -                               | -                     | 496    |
| Net profit for the period                             | -  | -                           | -                       | -                               | 9,321                 | 9,321  |
| Total recognised income and expenses for the period   | -  | -                           | 496                     | -                               | 9,321                 | 9,817  |
| Conversion of RCSLS-equity component                  | 737  | -                           | -                       | (737)                           | -                     | -      |
| Conversion of RCSLS-liability component               | 206  | -                           | -                       | -                               | -                     | 206    |
| <b>At 31 March 2008</b>                               | 104,469                                      | 3,136                       | 2,608                   | -                               | (66,104)              | 44,109 |

**DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)**  
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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FOURTH QUARTER ENDED 31 MARCH 2007 (AUDITED)**

|   | Attributable to equity holders of the parent |                  |                         |                             |                                 |  | Accumulated<br>Losses | Total         |
|---|--|------------------|-------------------------|-----------------------------|---------------------------------|--|-----------------------|---------------|
|   | -----Non-distributable-----                  |                  |                         |                             |                                 |  |                       |               |
|   | Share<br>Capital                             | Share<br>Premium | Revaluation<br>Reserves | Reserve on<br>Consolidation | Equity<br>Component<br>of RCSLS | Irredeemable<br>Convertible<br>Unsecured<br>Loan Stock |                       |               |
|   | RM'000                                       | RM'000           | RM'000                  | RM'000                      | RM'000                          | RM'000   | RM'000                | RM'000        |
| <b>At 1 April 2006</b>                                |  |                  |                         |                             |                                 |  |                       |               |
| - as previously reported                              | 95,325                                       | 3,136            | 4,577                   | 442                         | 737                             | 7,906  | (78,542)              | 33,581        |
| Prior year adjustment                                 |  |                  |                         |                             |                                 |  |                       |               |
| - effect of adopting -FRS117                          | -  | -                | (2,647)                 | -                           | -                               | -  | 2,647                 | -             |
| - effect of adopting -FRS 3                           | -  | -                | -                       | (442)                       | -                               | -  | 442                   | -             |
| At 1 April 2006, restated                             | 95,325                                       | 3,136            | 1,930                   | -                           | 737                             | 7,906  | (75,453)              | 33,581        |
| ICULS interest  | 295  | -                | -                       | -                           | -                               | -  | (295)                 | -             |
| Effect on change in tax rate                          | -  | -                | 182                     | -                           | -                               | -  | -                     | 182           |
| Net income and expenses recognised directly in equity | 295  | -                | 182                     | -                           | -                               | -  | (295)                 | 182           |
| Net profit for the period                             | -  | -                | -                       | -                           | -                               | -  | 323                   | 323           |
| Total recognised income and expenses for the period   | 295  | -                | 182                     | -                           | -                               | -  | 28                    | 505           |
| Conversion of ICULS                                   | 7,906  | -                | -                       | -                           | -                               | (7,906)  | -                     | -             |
| <b>At 31 March 2007</b>                               | <b>103,526</b>                               | <b>3,136</b>     | <b>2,112</b>            | <b>-</b>                    | <b>737</b>                      | <b>-</b>   | <b>(75,425)</b>       | <b>34,086</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 2007 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 FOURTH QUARTER ENDED 31 MARCH 2008**

|  | Note | Period to date                      |                                   |
|--|------|-------------------------------------|-----------------------------------|
|  |      | 31.03.2008<br>(Unaudited)<br>RM'000 | 31.03.2007<br>(Audited)<br>RM'000 |
| Net cash generated from operating activities   |      | 22,432                              | 12,465                            |
| Net cash used in investing activities  |      | (21,004)                            | (3,109)                           |
| Net cash used in financing activities  |      | (624)                               | (7,312)                           |
| Net increase in cash and cash equivalents  |      | 804                                 | 2,044                             |
| Cash and cash equivalents as at beginning of financial period                          |      | (4,755)                             | (6,799)                           |
| Cash and cash equivalents as at end of financial period                                |      | (3,951)                             | (4,755)                           |
| *Cash and cash equivalents at the end of the financial period comprise the followings: |      |                                     |                                   |
| Fixed deposits with licensed banks   |      | 1,162                               | 756                               |
| Bank overdrafts-continuing operations  | 26   | (5,671)                             | (5,898)                           |
| Bank overdraft-discontinued operation  |      | -                                   | (565)                             |
| Cash and bank balances   |      | 1,720                               | 1,708                             |
|  |      | (2,789)                             | (3,999)                           |
| Less: Fixed deposits pledged to licensed banks   |      | (1,162)                             | (756)                             |
|  |      | (3,951)                             | (4,755)                           |

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 March 2007 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**

**(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 2007. 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 2007.

**(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 2007.

To date the Company has adopted those new and revised FRSs that are mandatory for annual periods beginning on or after 1 January 2006 and 1 October 2006, except for:

*(a) New FRS and amendment to FRS adopted*

- FRS 6 Exploration for and Evaluation of Mineral Resources is mandatory for annual period beginning on or after 1 January 2007. FRS 6 is not relevant to the Group's operations.
- FRS 119<sub>2004</sub> Amendment to FRS 119<sub>2004</sub> Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures is mandatory for annual period beginning on or after 1 January 2007.

*(b) New FRS and amendment to FRS not adopted*

- The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement where its effective date has been deferred to a date to be announced by Malaysian Accounting Standards Board (MASB).
- FRS which are effective for annual period beginning on or after 1 July 2007:

|         |  |
|---------|--|
| FRS 107 | Cash Flow Statements   |
| FRS 111 | Construction Contracts   |
| FRS 112 | Income taxes   |
| FRS 118 | Revenue  |
| FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| FRS 134 | Interim Financial Reporting  |
| FRS 137 | Provisions, Contingent Liabilities and Contingent Assets                 |

- Amendments and IC Interpretations which are effective for annual period beginning on or after 1 July 2007:

Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities

IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments



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

- Amendments and IC Interpretations which are effective for annual period beginning on or after 1 July 2007 (Cont'd):

IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

IC Interpretation 7 Applying the Restatement Approach under FRS 129<sub>2004</sub> Financial Reporting in Hyperinflationary Economies

IC Interpretation 8 Scope of FRS 2: Share-based Payment

The above IC Interpretation is not relevant to the Group's operations.

The Board of Directors do not anticipate that the application of the above standards when they are effective will have a material impact on the result and financial position of the Group.

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

The auditors' report on the financial statements for the year ended 31 March 2007 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          | : | Management services  |
| Investment holdings & others | : | Investment holdings, dormant and inactive companies          |

**DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)**  
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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134**

**(4) Segmental Reporting (Cont'd)**

|   | INDIVIDUAL<br>QUARTER<br>3 months ended |                                     | CUMULATIVE<br>QUARTER<br>12 months ended |                                   |
|---|---|-------------------------------------|--|-----------------------------------|
|   | 31.03.2008<br>(Unaudited)<br>RM'000     | 31.03.2007<br>(Unaudited)<br>RM'000 | 31.03.2008<br>(Unaudited)<br>RM'000      | 31.03.2007<br>(Audited)<br>RM'000 |
| <b><u>Segment Revenue</u></b>               |   |                                     |  |                                   |
| Manufacturing                               | 27,005                                  | 23,770                              | 119,546                                  | 90,567                            |
| Trading                                     | 7,340                                   | 6,495                               | 25,909                                   | 21,849                            |
| Property rental                             | -                                       | -                                   | -  | -                                 |
| Management services                         | (254)                                   | -                                   | 1,871                                    | -                                 |
| Investment holdings & others                | -                                       | 1,190                               | 6  | 5,260                             |
| Total revenue including inter-segment sales | 34,091                                  | 31,455                              | 147,332                                  | 117,676                           |
| Elimination of inter-segment sales          | (163)                                   | (1,517)                             | (4,155)                                  | (5,996)                           |
| Total revenue                               | 33,928                                  | 29,938                              | 143,177                                  | 111,680                           |
| <b><u>Segment Results</u></b>               |   |                                     |  |                                   |
| Manufacturing                               | 1,064                                   | (5,767)                             | 6,330                                    | (5,148)                           |
| Trading                                     | 788                                     | 27                                  | 828                                      | (1,181)                           |
| Property rental                             | -                                       | 6                                   | (196)                                    | 203                               |
| Management services                         | (899)                                   | -                                   | 1,176                                    | -                                 |
| Investment holdings & others                | 1,321                                   | (2,052)                             | 5,092                                    | 1,915                             |
|   | 2,274                                   | (7,786)                             | 13,230                                   | (4,211)                           |
| Eliminations                                | (1,866)                                 | 4,739                               | (2,525)                                  | 2,737                             |
| Share of loss of an associate               | (4)                                     | (17)                                | (11)                                     | (17)                              |
| Profit/(loss) before taxation               | 404                                     | (3,064)                             | 10,694                                   | (1,491)                           |

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 previous quarter, management services have been incorporated as a new segment while property rental segment had 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.

**DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)**  
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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING  
STANDARDS (FRSs) 134**

**(8) Dividend Paid**

There was no dividend paid for the 4<sup>th</sup> quarter ended 31 March 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 2007.

**(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.

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

|  | <b>As at<br/>31.03.2008<br/>(Unaudited)<br/>RM'000</b> |
|--|--|
| Approved by the Directors and contracted for   | 8,784  |
| Authorised by the Directors but not contracted | -  |
|  | <hr/>  |
|  | 8,784  |
|  | <hr/>  |

*(b) Non-Cancellable Operating Lease Commitment*

|   | <b>As at<br/>31.03.2008<br/>(Unaudited)<br/>RM'000</b> |
|---|--|
| Minimum operating lease commitment payable          |  |
| - not later than one year                           | 117  |
| - later than one year but not later than five years | 380  |
|   | <hr/>  |
|   | 497  |
|   | <hr/>  |

**(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.

**DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)**  
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**PART A - SELECTED EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (FRSs) 134**

**(15) Significant Related Parties Transactions**

|   | <b>12 Months ended<br/>31.03.2008<br/>(Unaudited)<br/>RM'000</b> |
|---|--|
| <b>Companies related by common directors:</b> |  |
| -Sub contractor fees paid/payable             | 1,141  |
| -Professional fees paid/payables              | 181  |
| -Rental paid to the brother of a director     | <u>54</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**

|  | <b>As at<br/>31.03.2008<br/>(Unaudited)<br/>RM'000</b> | <b>As at<br/>31.03.2007<br/>(Audited)<br/>RM'000</b> |
|--|--|--|
| Non distributable:                                 |  |  |
| Share premium                                      | 3,136  | 3,136  |
| Revaluation reserves                               | 2,608  | 2,112  |
| Redeemable convertible secured loan stocks (RCSLS) | -  | 737  |
|  | <u>5,744</u>   | <u>5,985</u>   |

**(17) Trade and Other Payables**

|                                     | <b>As at<br/>31.03.2008<br/>(Unaudited)<br/>RM'000</b> | <b>As at<br/>31.03.2007<br/>(Audited)<br/>RM'000</b> |
|-------------------------------------|--|--|
| Trade creditors                     | 14,932   | 16,076   |
| Other creditors and accruals        | 17,030   | 13,590   |
| Amount due to an associated company | -  | 13   |
| Provision for corporate guarantees  | 7,467  | 5,285  |
| Amounts owing to directors          | 40   | 118  |
|                                     | <u>39,469</u>  | <u>35,082</u>  |

Provision for corporate guarantees

Provision for corporate guarantees are made for potential obligation arising from the corporate guarantees given by the Company and its subsidiary company to financial institutions for banking facilities granted to former subsidiary companies namely Skiva Holdings Sdn. Bhd. and New Height Marketing Sdn. Bhd..

Amounts owing to directors

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**

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

The Group's revenue increased approximately by RM3.99 million or 13.33%, from RM29.938 million in the same quarter in the preceding financial period ended 31 March 2007 to RM33.928 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 improved from a pre tax loss of RM3.064 million in the same quarter in the preceding financial year to a pre tax profit of RM404 thousand for the current quarter. The improvement in the results is mainly due to better margins secured on the new products manufactured and a generally higher demand for manufactured goods in the current quarter.

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

The Group achieved revenue of RM33.928 million for the quarter under review. This represents a decrease of RM5.886 million in revenue or 14.78 % lower than that of its previous quarter. The group registered a profit before tax of RM404 thousand in the current quarter as compared to the preceding quarter ended 31 December 2007 when it registered a profit before tax of RM4.016 million. The decrease in profit is due to various provisions have been made in the current quarter.

**(20) Current Year Prospects**

The Group's main contribution is expected from the manufacturing segment. The other segments are expected to show improvements and will be continuously monitored in order to improve their performances. The directors are hopeful that the Group's performance for the rest of the financial period is expected to improve.

**(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 2007.

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

**(22) Taxation**

|                              | <b>INDIVIDUAL<br/>QUARTER<br/>3 months ended</b> |  | <b>CUMULATIVE<br/>QUARTER<br/>12 months ended</b> |  |
|------------------------------|--|--|---|--|
|                              | <b>31.03.2008<br/>(Unaudited)<br/>RM'000</b>     | <b>31.03.2007<br/>(Unaudited)<br/>RM'000</b> | <b>31.03.2008<br/>(Unaudited)<br/>RM'000</b>      | <b>31.03.2007<br/>(Audited)<br/>RM'000</b> |
| In respect of current period |  |  |   |  |
| -Malaysian income tax        | (279)  | 1,119  | (676)   | 762  |
| -Deferred tax                | (562)  | 1,601  | (697)   | 1,151                                      |
|                              | <u>(841)</u>                                     | <u>2,720</u>                                 | <u>(1,373)</u>                                    | <u>1,913</u>                               |

The Group's effective tax rate for the financial period-to-date was lower than the statutory tax rate mainly due to availability of unutilised tax losses and unabsorbed capital allowances respectively by 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) Other Investment**

There was no purchase of quoted security for the financial period ended 31 March 2008. Details of investment as at 31 March 2008 are as follows:

|                                      | <b>As at<br/>31.03.2008<br/>(Unaudited)<br/>RM</b> | <b>As at<br/>31.03.2007<br/>(Audited)<br/>RM</b> |
|--------------------------------------|--|--|
| Included within other investment:    |  |  |
| Unquoted shares, at realisable value | <u>-</u>   | <u>1</u>   |

**(25) Status of Corporate Proposals**

There were no corporate proposals announced or 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**

Details of the unaudited Group borrowings as at 31 March 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                      | -                    | -         | -             | 5,623                 | 48        | 5,671         |
| Bills Payable and Bankers Acceptance | -                    | -         | -             | 9,897                 | -         | 9,897         |
| Short Term payable                   | -                    | -         | -             | 5,919                 | -         | 5,919         |
| Hire Purchase payable                | 4,409                | -         | 4,409         | 4,312                 | -         | 4,312         |
| Long Term payable                    | 16,206               | -         | 16,206        | -                     | -         | -             |
| <b>TOTAL</b>                         | <b>20,615</b>        | <b>-</b>  | <b>20,615</b> | <b>25,751</b>         | <b>48</b> | <b>25,799</b> |

**(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 except for the following:

- (a) *Hong Leong Bank Berhad (Hong Leong) vs Denko Industrial Corporation Berhad (DICB) and Four Former Directors of Skiva Holdings Sdn. Bhd. (SHSB)*  
*Kuala Lumpur High Court Suit No.: 5-22-1689-2007*

On 11 January 2008, DICB received a writ of summon filed in the High Court of Malaya, Kuala Lumpur dated 10 December 2007, for allegedly failing to settle the gross amount of RM6,156,245.99 as at 31 July 2007, owing by a former subsidiary company SHSB which was placed under liquidation on 5 July 2005, whereby DICB and Four Former Directors of SHSB were guarantors of the facilities offered to SHSB.

- (b) *Hong Leong Bank Berhad (Hong Leong) vs Denko Management Services Sdn. Bhd. (DMSB)*  
*Kuala Lumpur High Court Suit No.: 24-19-2008*

On 28 February 2008, DICB received a writ of summon filed in the High Court of Malaya, Taiping dated 18 January 2008, for allegedly failing to settle the banking facilities due and payable by the former subsidiary company namely Skiva Holdings Sdn. Bhd. ("SHSB"). SHSB was placed under liquidation on 5 July 2005, whereby DMSB has pledged its leasehold land to secure the banking facilities made available for SHSB. The net book value of the said leasehold land as at 31 March 2008 is RM955,673.

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

**(28) Material Litigation (Cont'd)**

- (c) *Hong Leong Bank Berhad (Hong Leong) vs Denko Industrial Corporation Berhad (DICB) and Five Former Directors of New Height Marketing Sdn. Bhd. (NHMSB)*  
*Kuala Lumpur High Court Suit No.: D4-22-15-2008*

On 7 March 2008, DICB received a writ of summon filed in the High Court of Malaya, Kuala Lumpur dated 4 January 2008, for allegedly failing to settle the gross amount of RM1,505,320.29 as at 31 July 2007, owing by a former subsidiary company NHMB which was placed under liquidation on 23 April 2007, whereby DICB and Five Former Directors of NHMB were guarantors of the facilities offered to NHMSB.

In respect of the above-mentioned case as stated in note (a), (b) and (c), the management are in the midst of negotiating and discussing with Hong Leong Bank Berhad and the former directors of SHSB and NHMSB on the propose instalment payment plan.

The net liabilities has been accounted for in the Company's book as provision for corporate guarantee, as disclosed in Part A, note 17 of the explanatory notes.

**(29) Dividend Payable**

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

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

The basic earnings/(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<br/>QUARTER</b> |                    | <b>CUMULATIVE<br/>QUARTER</b> |                   |
|---|-------------------------------|--------------------|-------------------------------|-------------------|
|   | <b>3 months ended</b>         |                    | <b>12 months ended</b>        |                   |
|   | <b>31.03.2008</b>             | <b>31.03.2007</b>  | <b>31.03.2008</b>             | <b>31.03.2007</b> |
|   | <b>(Unaudited)</b>            | <b>(Unaudited)</b> | <b>(Unaudited)</b>            | <b>(Audited)</b>  |
|   | <b>RM'000</b>                 | <b>RM'000</b>      | <b>RM'000</b>                 | <b>RM'000</b>     |
| Profit/(loss) from continuing operations                            | (437)                         | (344)              | 9,321                         | 422               |
| Profit/(loss) from discontinued operation                           | -                             | 130                | -                             | (99)              |
| Profit/(loss) attributable to ordinary equity holders of the parent | (437)                         | (214)              | 9,321                         | 323               |
| Weighted average number of ordinary shares in issue ('000)          | 104,469                       | 98,925             | 103,934                       | 97,065            |
| Basic earnings/(loss) per share for (sen):                          |                               |                    |                               |                   |
| - continuing operations   | (0.42)                        | (0.35)             | 8.97                          | 0.43              |
| - discontinued operation  | -                             | 0.13               | -                             | (0.10)            |
|   | (0.42)                        | (0.22)             | 8.97                          | 0.33              |



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

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

**(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 30 May 2008.