



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

**INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED
30 JUNE 2008**

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

FOR THE FIRST QUARTER ENDED 30 JUNE 2008

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

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2008

	Note	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
		30.06.2008 (Unaudited) RM'000	30.06.2007 (Unaudited) RM'000	30.06.2008 (Unaudited) RM'000	30.06.2007 (Unaudited) RM'000
Revenue	4	38,808	29,589	38,808	29,589
Cost of sales		(35,054)	(25,779)	(35,054)	(25,779)
Gross profit		<u>3,754</u>	<u>3,810</u>	<u>3,754</u>	<u>3,810</u>
Other operating income		524	546	524	546
Gain on deconsolidation of a subsidiary company		-	4,476	-	4,476
Marketing and distribution costs		(857)	(668)	(857)	(668)
Administration expenses		(2,296)	(2,652)	(2,296)	(2,652)
Other operating expenses		(977)	(1,742)	(977)	(1,742)
Profit from operations		<u>148</u>	<u>3,770</u>	<u>148</u>	<u>3,770</u>
Finance costs		(874)	(857)	(874)	(857)
Share of loss of an associate		-	(5)	-	(5)
Profit/(loss) before taxation	4	<u>(726)</u>	<u>2,908</u>	<u>(726)</u>	<u>2,908</u>
Taxation	22	<u>443</u>	<u>(286)</u>	<u>443</u>	<u>(286)</u>
Profit/(loss) for the period		<u>(283)</u>	<u>2,622</u>	<u>(283)</u>	<u>2,622</u>
Attributable to:					
Equity holders of the Parent		<u>(283)</u>	<u>2,622</u>	<u>(283)</u>	<u>2,622</u>
Earnings/(Loss) per ordinary share attributable to equity holders of the parent					
Basic earnings/(loss) per ordinary share (sen)	30	<u>(0.27)</u>	<u>2.53</u>	<u>(0.27)</u>	<u>2.53</u>
Fully diluted earnings/(loss) per ordinary share (sen)	31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

CONDENSED CONSOLIDATED BALANCE SHEETS
FOR THE FIRST QUARTER ENDED 30 JUNE 2008

	Note	AS AT 30.06.2008 (Unaudited) RM'000	AS AT 31.03.2008 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		90,534	85,087
Prepaid land lease payments		3,885	4,862
Investment in an associated company		2	2
Total non-current assets		94,421	89,951
Current assets			
Inventories		18,657	17,498
Trade and other receivables		28,558	25,734
Current tax assets		557	1,263
Fixed deposits with licensed banks		1,005	1,162
Cash and bank balances		4,010	1,720
Total current assets		52,787	47,377
Non-current asset held for sale		-	4,892
TOTAL ASSETS		147,208	142,220
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		104,469	104,469
Reserves	16	4,268	5,744
Accumulated losses		(64,596)	(65,789)
Total equity		44,141	44,424
Non-current liabilities			
Long term borrowings	26	23,047	20,629
Deferred tax liabilities		7,415	7,969
Total non-current liabilities		30,462	28,598
Current liabilities			
Trade and other payables	17	44,590	39,469
Short term borrowings	26	27,960	25,785
Current tax liabilities		55	-
Total current liabilities		72,605	65,254
Liabilities directly associated with assets classified as held for sale		-	3,944
Total liabilities		103,067	97,796
TOTAL EQUITY AND LIABILITIES		147,208	142,220
Net assets per share attributable to equity holders of the parent (RM)		0.4225	0.4252

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

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
Incorporated in Malaysia
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2008 (UNAUDITED)

	Attributable to equity holders of the parent				Total
	Share Capital	Non-distributable Share Premium	Revaluation Reserves	Accumulated Losses	
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2008	104,469	3,136	2,608	(65,789)	44,424
Realisation of revaluation reserve	-	-	(1,476)	1,476	-
Net income/(expenses) recognised directly in equity			(1,476)	1,476	-
Net loss for the financial period	-	-	-	(283)	(283)
Total recognised income and expenses for the period	-	-	(1,476)	1,193	(283)
At 30 June 2008	104,469	3,136	1,132	(64,596)	44,141

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2008 (UNAUDITED)

	Attributable to equity holders of the parent					Total
	Share Capital	Share Premium	Revaluation Reserves	Equity Component of RCLS	Accumulated Losses	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2007	103,526	3,136	2,112	737	(75,425)	34,086
Net profit for the period	-	-	-	-	2,622	2,622
At 30 June 2007	103,526	3,136	2,112	737	(72,803)	36,708

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2008

	Note	Period to date	
		30.06.2008 (Unaudited) RM'000	30.06.2007 (unaudited) RM'000
Net cash generated from operating activities		5,161	3,743
Net cash used in investing activities		(6,864)	(13,273)
Net cash from financing activities		<u>4,272</u>	<u>8,855</u>
Net increase/(decrease) in cash and cash equivalents		2,569	(675)
Cash and cash equivalents as at beginning of financial period		<u>(3,951)</u>	<u>(4,190)</u>
Cash and cash equivalents as at end of financial period		<u>(1,382)</u>	<u>(4,865)</u>
*Cash and cash equivalents at the end of the financial period comprise the followings:			
Fixed deposits with licensed banks		1,005	756
Bank overdrafts	26	(5,392)	(6,901)
Cash and bank balances		<u>4,010</u>	<u>2,036</u>
		(377)	(4,109)
Less: Fixed deposits pledged to licensed banks		<u>(1,005)</u>	<u>(756)</u>
		<u>(1,382)</u>	<u>(4,865)</u>

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

DENKO INDUSTRIAL CORPORATION BERHAD (190155-M)
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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 2008. These explanatory notes attached to the interim financial statements provides an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2008.

(2) Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted and disclosed in the audited financial statements for the year ended 31 March 2008.

(3) Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 March 2008 was not qualified.

(4) Segmental Reporting

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

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

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	30.06.2008 (Unaudited) RM'000	30.06.2007 (Unaudited) RM'000	30.06.2008 (Unaudited) RM'000	30.06.2007 (unaudited) RM'000
<u>Segment Revenue</u>				
Manufacturing	32,833	25,337	32,833	25,337
Trading	6,556	4,978	6,556	4,978
Property rental	-	-	-	-
Management services	358	-	358	-
Investment holdings & others	-	678	-	678
Total revenue including inter-segment sales	39,747	30,993	39,747	30,993
Elimination of inter-segment sales	(939)	(1,404)	(939)	(1,404)
Total revenue	38,808	29,589	38,808	29,589

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 QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	30.06.2008 (Unaudited) RM'000	30.06.2007 (Unaudited) RM'000	30.06.2008 (Unaudited) RM'000	30.06.2007 (unaudited) RM'000
<u>Segment Results</u>				
Manufacturing	699	392	699	392
Trading	156	(323)	156	(323)
Property rental	-	(130)	-	(130)
Management services	(767)	-	(767)	-
Investment holdings & others	(757)	(1,189)	(757)	(1,189)
	(669)	(1,250)	(669)	(1,250)
Eliminations	(57)	4,163	(57)	4,163
Share of loss of an associate	-	(5)	-	(5)
Profit/(loss) before taxation	(726)	2,908	(726)	2,908

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

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

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

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

(6) Nature and Amount of Changes in Estimates

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

(7) Comments about Seasonal or Cyclical Factors

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

(8) Dividend Paid

There was no dividend paid for the 1st quarter ended of 30 June 2008.

(9) Valuations of Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without amendment from the financial statements for the year ended 31 March 2008.

(10) Debt and Equity Securities

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

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

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

(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 30 June 2008 are as follows:

	As at 30.06.2008 (Unaudited) RM'000
Approved by the Directors and contracted for	1,719
Authorised by the Directors but not contracted	4,041
	<hr/>
	5,760
	<hr/>

(b) Non-Cancellable Operating Lease Commitment

	As at 30.06.2008 (Unaudited) RM'000
Minimum operating lease commitment payable	
- not later than one year	156
- later than one year but not later than five years	490
	<hr/>
	646
	<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

	3 Months ended 30.06.2008 (Unaudited) RM'000
Companies related by common directors:	
-Sub contractor fees paid/payable	396
-Professional fees paid/payables	<u>10</u>

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

(16) Reserves

	As at 30.06.2008 (Unaudited) RM'000	As at 31.03.2008 (Audited) RM'000
Non distributable:		
Share premium	3,136	3,136
Revaluation reserves	1,132	2,608
	<u>4,268</u>	<u>5,744</u>

(17) Trade and Other Payables

	As at 30.06.2008 (Unaudited) RM'000	As at 31.03.2008 (Audited) RM'000
Trade creditors	17,987	14,932
Other creditors and accruals	19,578	17,030
Provision for corporate guarantees	6,967	7,467
Amounts owing to directors	58	40
	<u>44,590</u>	<u>39,469</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 RM9.219 million or 31.16%, from RM29.589 million in the same quarter in the preceding financial period ended 30 June 2007 to RM38.808 million in this quarter. The increase in revenue is due to increase in production as a result of the introduction of new products for manufacturing in the current and previous quarter.

The Group's performance declined from a pre tax profit of RM2.908 million in the same quarter in the preceding financial year to a pre tax loss of RM726 thousand for the current quarter. The significant drop in the results is mainly due to impairment losses on property, increase in operating and start-up cost incurred upon the initiation of the new plant during the current quarter. In the previous quarter ended 30 June 2007, there was a substantial gain amounting to RM4.476 million which arose from the deconsolidation of certain subsidiaries.

(19) Comparison with Immediate Preceding Quarter's Results

The Group achieved revenue of RM38.808 million for the quarter under review. This represents a increase of RM4.880 million in revenue or 14.38% higher than that of its previous quarter. The group registered a loss before tax of RM726 thousand in the current quarter as compared to the preceding quarter ended 31 March 2008 when it registered a profit before tax of RM404 thousand. The increased loss incurred during the current quarter is mainly due to impairment losses on property, increase in operating and start-up cost incurred upon the initiation of the new plant during the current quarter.

(20) Current Year Prospects

The Group's main contribution is expected from the manufacturing segment and expected to show moderate results as the new plant has commenced its operation. 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 will 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 2008.

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

(22) Taxation

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	30.06.2008 (Unaudited) RM'000	30.06.2007 (Unaudited) RM'000	30.06.2008 (Unaudited) RM'000	30.06.2007 (unaudited) RM'000
In respect of current period				
-Malaysian income tax	(111)	(136)	(111)	(136)
-Deferred tax	554	(150)	554	(150)
	<u>443</u>	<u>(286)</u>	<u>443</u>	<u>(286)</u>

(23) Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and properties in the current quarter under review, except for the completion of disposal of property in current quarter which was classified as non-current assets held for sale in the previous quarter of 31 December 2007. The gain on disposal of the property recognised in this quarter amounts to RM107,788 for the Group.

(24) Quoted securities

There was no purchase or disposal of quoted securities for the financial period ended 30 June 2008.

(25) Status of Corporate Proposals

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

(26) Group Borrowings

Details of the unaudited Group borrowings as at 30 June 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	-	-	-	5,343	49	5,392
Bills Payable and Bankers Acceptance	-	-	-	11,088	-	11,088
Short Term payable	-	-	-	7,207	-	7,207
Hire Purchase payable	6,035	-	6,035	4,273	-	4,273
Long Term payable	17,012	-	17,012	-	-	-
TOTAL	23,047	-	23,047	27,911	49	27,960

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

(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 30 June 2008 is RM955,673 and full impairment losses on leasehold land has been made in the current quarter.

- (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.

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 quarter. 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.

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

(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.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
	(Unaudited)	(Unaudited)	(Unaudited)	(unaudited)
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to ordinary equity holders of the parent	(283)	2,622	(283)	2,622
Weighted average number of ordinary shares in issue ('000)	104,469	103,526	104,469	103,526
Basic earnings/(loss) per share for (sen):	<u>(0.27)</u>	<u>2.53</u>	<u>(0.27)</u>	<u>2.53</u>

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

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

(32) Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution passed on 29 August 2008.