

DKLS INDUSTRIES BERHAD

(Company No. 369472 – P)

(Incorporated In Malaysia)

A. Notes to the Interim Financial Report

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad (“BMSB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 December 2007.

The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial report provide 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 financial year ended 31 December 2007.

2. Audit Opinion

The audit report for the audited financial statement for the year ended 31 December 2007 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The business operations of the Group were not affected by any significant seasonal or cyclical factors.

4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current quarter.

5. Change in Estimates

There were no changes in estimation that have a material effect in the quarter under review.

6. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-back and share held as treasury shares during the current quarter.

7. Dividend Paid

No dividend has been paid during the current quarter.

8. Segment Information

Segment information is presented in respect of the Group's business segment.

All inter-segment transactions have been entered into in the normal course of business and have been established under terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

Analysis by activity

	Revenue		Profit/(Loss) before tax	
	3 months ended 31 March		3 months ended 31 March	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Continuing Operations:				
Investment	4,783	118	4,508	(195)
Construction	17,420	15,861	2,220	80
Manufacturing	13,609	14,305	1,526	1,774
Property development	5,872	1,242	461	(183)
Others	4,503	6,825	(175)	(139)
	46,187	38,351	8,540	1,337
Inter-segment elimination	(9,067)	(5,825)	(4,665)	-
	37,120	32,526	3,875	1,337
Group's share of associates results	-	-	220	(8)
	37,120	32,526	4,095	1,329
Discontinued Operations:				
Others	-	652	-	88
	37,120	33,178	4,095	1,417

9. Material Subsequent Events

There were no material events subsequent to the end of the interim period that have not been reflected in the interim financial report for the current quarter.

10. Changes in Composition of the Group

There are no changes in composition of the Group for the current quarter except for the following:-

On 20 February 2008, the Company acquired 2 ordinary shares of RM1.00 each in DKLS Homefields Sdn Bhd ("DHSB") representing the entire issued and paid up share capital of DHSB for a total cash consideration of RM2.00 and upon acquisition, DHSB becomes a wholly-owned subsidiary of the Company.

On 21 March 2008, the Company entered into a Share Sale Agreement with Kar Sin Berhad to dispose off its entire 30% equity interest in D'Kiara Plance Sdn Bhd (DKP), comprising 4,230,000 ordinary shares of RM1 each, for a total consideration of RM33,895,776. Upon completion of the disposal, DKP ceases to be an associate of the Company.

11. Discontinued Operations

The discontinued operations comprised the disposal of the entire 30% equity interest in D'Kiara Place Sdn Bhd.

The revenue and results of the disposal groups are as follows:-

	Current Quarter		Cumulative Quarter	
	3 months ended 31 March		3 months ended 31 March	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Revenue	-	652	-	652
Other income	-	-	-	-
Expenses	-	(564)	-	(564)
Profit before tax	-	88	-	88
Group's share of associates results	-	-	-	-
Gain on disposal of assets held for sale	-	-	-	-
	-	88	-	88
Tax expense	-	(21)	-	(21)
Profit for the period from discontinued operations	-	67	-	67

The non-current and current assets classified as held for sale as at 31 March 2008 are as follows:

	Group Carrying amount as at 31 March 2008	Company Carrying amount as at 31 March 2008
	RM'000	RM'000
Assets		
Investment in associates	15,768	15,524
Trade and other receivables	2,189	2,189
Deposit received	(3,390)	-
Non-current and current assets classified as held for sale	14,567	17,713

12. Changes in Contingent Liabilities

The guarantees given to financial institutions for facilities granted to subsidiaries increased from RM199,782,539 as at 31 December 2007 to RM202,039,876 as at 31 March 2008.

The guarantees given to third parties for credit facilities granted to subsidiaries increased from RM17,520,000 as at 31 December 2007 to RM18,020,000 as at 31 March 2008.

The guarantees given to financial institutions for facilities granted to main contractors in connection of contracts awarded to a subsidiary company amounted to RM46,850,000 as at 31 March 2008.

13. Capital Commitments

	31 March 2008
	RM'000
Property, plant and equipment	
Approved and contracted for	7,313
Approved but not contracted for	7

14. Related Party Transactions

All related party transactions entered into in the ordinary course of business have been undertaken at arms' length basis on normal commercial terms. These transactions are within the ambit of the approval granted under the Shareholders' Mandate for recurrent related transactions obtained at a general meeting.

There were no transactions with the directors and key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment.

B. Additional information required by the BMSB's Listing Requirements

1. Review of Performance

The Group recorded a pre-tax profit (excluding discontinued operations) of RM3.044 million on a revenue of RM37.119 million for the current quarter as compared to a pre-tax profit of RM1.094 million on a revenue of RM32.526 million for the previous year corresponding quarter. The Group achieved a higher pre-tax profit as compared to the previous year mainly due to the reversal of foreseeable loss of RM0.8 million from project no longer required and the recognition of profit of RM0.8 million from the newly launch development project sector as compared to the loss of RM0.1 million in the corresponding quarter.

2. Variance of Results Against Preceding Quarter

	1 st quarter ended 31 March 2008	4 th quarter ended 31 December 2007	Increase/ (Decrease)
	RM'000	RM'000	RM'000
Revenue from continuing operations	37,119	53,713	(16,594)
Revenue from discontinued operations	-	-	-
	<u>37,119</u>	<u>53,713</u>	<u>(16,594)</u>
(Loss)/Profit for the period from continuing operations	3,045	(1,936)	4,981
Profit for the period from discontinued operations	-	6,202	(6,202)
	<u>3,045</u>	<u>4,266</u>	<u>(1,221)</u>

The loss from continuing operations for the preceding quarter was due to the reclassification of the gain on disposal of investment in Zhangzhou Jinfen Water Works Co Ltd amounted to RM6.202 million, recorded under "Other income" in the previous quarter to "Profit from discontinued operations". If this amount was excluded, the profit margin for the current quarter would be consistent with the preceding quarter.

3. Current Year Prospects

The directors expect the Group's operating environment to remain challenging and competitive. Barring any unforeseen circumstances, the directors are of the opinion the performance of Group for the financial year 2008 is expected to be satisfactory under the current operating environment.

4. Profit Forecast

Not applicable as no profit forecast was published.

5. Tax expense

	3 months ended 31 March	
	2008	2007
	RM'000	RM'000
Continued operations		
Current tax expense	957	194
Deferred taxation	94	40
	<u>1,051</u>	<u>234</u>
Discontinued operations		
Foreign current tax	-	21
	<u>1,051</u>	<u>255</u>

The effective tax rate was higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries and certain expenses which are not deductible for tax purposes.

6. Profit/(Loss) on Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments and/or properties for the quarter under review.

7. Particulars of Purchase or Disposal of Quoted Securities

There were no purchases or disposals of quoted securities for the quarter under review.

The investments in quoted securities were as follows:

	31 March 2008
	RM'000
Included within other investment:	
At cost	23
Less : Impairment loss	(11)
At carrying value	12
At market value	<u>10</u>

8. Status of Corporate Proposals

There were no corporate proposals announced and not completed as at the latest practicable date.

9. Borrowing and Debt Securities

	31 March 2008
	RM'000
Short term borrowings	
Bankers' acceptance (unsecured)	14,045
Bank overdraft (unsecured)	11,200
Revolving credits (unsecured)	1,800
Hire purchase creditors (current portion)	4,068
	<u>31,113</u>
Long term borrowings	
Hire purchase creditors	2,357
	<u>33,470</u>

Borrowings are denominated in Ringgit Malaysia.

10. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments entered into by the Group as at the date of this report.

11. Changes in Material Litigation

As at the date of this report, the Group is not engaged in any material litigation which in the opinion of the Board of Directors will have a material effect on the financial position or the business of the Group.

12. Dividend

No dividend has been proposed or declared for the current quarter ended 31 March 2008.

13. Basic Earnings Per Share

Basic earnings per share

	Current quarter	Financial quarter to-date
	RM	RM
Net profit attributable to equity holders of the parent	3,064,623	3,064,623

Weighted average number of ordinary shares

Issued ordinary shares at beginning of the quarter	92,699,600	92,699,600
Effect of shares issued	-	-
Weighted average number of ordinary shares	<u>92,699,600</u>	<u>92,699,600</u>

Diluted earnings per share

Not applicable

14. Financial Assistance in the Ordinary Course of Business

As at the end of the reporting period, DKLS Construction Sdn Bhd, a wholly-owned subsidiary of the Company, in the ordinary course of business has caused certain financial institutions to issue Performance Bond and Advance Bond guarantees amounting to RM32.224 million on behalf of the main contractors. As at the end of the reporting period, the Company had given guarantees amounting to RM46.850 million to financial institutions for facility granted to a subsidiary company's main contractors. The financial assistance provided has no financial impact on the Company as a Group.

By Order of the Board

Cheai Weng Hoong
Company Secretary

Dated: 22 May 2008