

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 2008.

The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2008. 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 2008.

2. Audit Opinion

The audit report for the audited financial statement for the year ended 31 December 2008 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	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Continuing Operations:				
Investment	90	4,783	(650)	4,508
Construction	23,938	17,420	214	2,220
Manufacturing	11,966	13,609	2,347	1,526
Property development	8,676	5,872	1,843	461
Others	5,356	4,503	16	(175)
	50,026	46,187	3,770	8,540
Inter-segment elimination	(1,340)	(9,067)	-	(4,665)
	48,686	37,120	3,770	3,875
Group's share of associates results	-	-	922	220
	48,686	37,120	4,692	4,095

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 .

11. Changes in Contingent Liabilities

The guarantees given to financial institutions for facilities granted to subsidiaries decreased from RM176,010,569 as at 31 December 2008 to RM174,571,297 as at 31 March 2009.

The guarantees given to third parties for credit facilities granted to subsidiaries decreased from RM22,090,000 as at 31 December 2008 to RM21,190,000 as at 31 March 2009.

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 2009.

13. Capital Commitments

	31 March 2009
	RM'000
Property, plant and equipment	
Approved and contracted for	2,373
Approved but not contracted for	3,436

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.

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 of RM4.692 million on a revenue of RM48.686 million for the current quarter as compared to a pre-tax profit of RM4.096 million on a revenue of RM37.120 million for the previous year corresponding quarter. The Group has achieved a lower pre-tax profit margin as compared to the previous year corresponding quarter mainly due to the stiff competition in the construction industry and the committed high raw materials costs incurred during the current quarter.

2. Variance of Results Against Preceding Quarter

The revenue for the current quarter has decreased by 17% as compared to the revenue of RM58.252 million registered for the immediate preceding quarter. However, the pre-tax profit for the current quarter has increased by 163% as compared to the pre-tax profit of RM1.583 million recorded for the immediate preceding quarter. The lower pre-tax profit realised in the immediate preceding quarter was mainly due to the provision for foreseeable losses of RM3.6million and write-down in inventories of RM1.4m caused by the fluctuation of prices of steel products. If these losses were to be excluded from the pre-tax profit, the profit margin for this preceding quarter would be consistent with profit margin for the current quarter under review.

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 2009 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	
	2009	2008
	RM'000	RM'000
Continued operations		
Current tax expense	(1,225)	957
Deferred taxation	60	94
	<u>1,165</u>	<u>1,051</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 2009
	RM'000
Included within other investment:	
At cost	23
Less : Impairment loss	(18)
At carrying value	5
At market value	<u>6</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 2009
	RM'000
Short term borrowings	
Bankers' acceptance (unsecured)	2,027
Bank overdraft (unsecured)	3,723
Revolving credits (unsecured)	1,800
Hire purchase creditors (current portion)	4,896
	<u>12,446</u>
Long term borrowings	
Hire purchase creditors	1,048
	<u>13,494</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	3,528,628	3,528,628

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 RM29.332 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: 25 May 2009