

# **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	
	6 months ended 30 June		6 months ended 30 June	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Investment	4,092	5,132	2,735	7,896
Construction	63,574	59,829	1,851	5,523
Manufacturing	33,350	30,982	6,800	5,739
Property development	22,740	12,987	4,538	994
Others	8,645	13,008	(48)	(191)
	132,401	121,938	15,876	19,961
Inter-segment elimination	(7,539)	(15,670)	(4,000)	(4,895)
	124,862	106,268	11,876	15,066
Group's share of associates results	-	-	307	215
	124,862	106,268	12,183	15,281

## 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 financial year to date except for the following:-

On 18 May 2009, the Company subscribed for 6 ordinary shares of RM1.00 each at par in DKLS Homebuilders Sdn Bhd (DHSB) for a total cash consideration of RM6.00 and upon subscription, DHSB becomes a wholly-owned subsidiary of the Company.

## 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 RM172,909,854 as at 30 June 2009.

The guarantees given to third parties for credit facilities granted to subsidiaries decreased from RM22,090,000 as at 31 December 2008 to RM17,690,000 as at 30 June 2009.

The guarantees given to financial institutions for facilities granted to main contractors in connection with contracts awarded to a subsidiary company amounted to RM31,850,000 as at 30 June 2009.

## 12. Capital Commitments

	<u>30 June 2009</u>
	RM'000
<b>Property, plant and equipment</b>	
Approved and contracted for	<u>3,030</u>
Approved but not contracted for	<u>-</u>

## 13. 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 RM12.182 million on a revenue of RM124.862 million for the financial year to date as compared to a pre-tax profit of RM15.281 million on a revenue of RM106.268 million for the previous year corresponding period. The Group has achieved a lower pre-tax profit despite a higher turnover as compared to the previous year corresponding period because the results of the previous year corresponding period have included exceptional profits ie profit from China operation of RM2.9 million and gain on disposal of plant and machinery of RM3.4 million. If these exceptional profits are to be excluded, the overall profit margin for financial year to date is consistent with previous year corresponding period.

### 2. Variance of Results Against Preceding Quarter

The revenue for the current quarter of RM76.176 million has increased by 56.46% as compared to the revenue of RM48.686 million registered for the immediate preceding quarter. However, the pre-tax profit for the current quarter of RM7.489 million has increased by 59.6% as compared to the pre-tax profit of RM4.692 million recorded for the immediate preceding quarter. The high pre-tax profit is achieved due to the higher turnover recorded as a result of the completion of development project.

### 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**

	6 months ended 30 June	
	2009	2008
	RM'000	RM'000
Current tax expense	3,309	3,449
Deferred taxation	58	244
	<u>3,367</u>	<u>3,693</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:

	30 June 2009
	RM'000
Included within other investment:	
At cost	23
Less : Impairment loss	(18)
At carrying value	5
At market value	<u>9</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

	30 June 2009
	RM'000
<b>Short term borrowings</b>	
Bankers' acceptance (unsecured)	5,158
Bank overdraft (unsecured)	15,584
Revolving credits (unsecured)	1,800
Hire purchase creditors (current portion)	4,089
	26,631
<b>Long term borrowings</b>	
Hire purchase creditors	565
	<u>27,196</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 financial year to-date ended 30 June 2009.

## 13. Basic Earnings Per Share

### *Basic earnings per share*

	Current quarter	Financial year to-date
	RM	RM
Net profit attributable to equity holders of the parent	5,321,836	8,850,464

### *Weighted average number of ordinary shares*

Issued ordinary shares at beginning of the quarter/period	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 RM18.513 million on behalf of the main contractors. As at the end of the reporting period, the Company has given guarantees amounting to RM31.850 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: 24 August 2009