

# **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 financial year ended 31 December 2008.

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

### **5. Change in Estimates**

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

### **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 financial year.

### **7. Dividend Paid**

A first and final dividend amounted to RM2,085,741 in respect of the financial year ended 31 December 2008 was paid on 20 August 2009.

## 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	
12 months ended 31 December		12 months ended 31 December	
2009	2008	2009	2008
RM'000	RM'000	RM'000	RM'000

#### **Continuing Operations:**

Investment	4,198	9,216	1,166	30,960
Construction	192,845	131,967	11,220	5,480
Manufacturing	80,077	69,768	11,408	11,266
Property development	29,213	30,217	5,887	4,921
Others	25,616	27,748	162	(55)
	331,949	268,916	29,843	52,572
Inter-segment elimination	(55,760)	(30,407)	(4,000)	(8,795)
	276,189	238,509	25,843	43,777
Group's share of associates results	-	-	(1,813)	(65)
	276,189	238,509	24,030	43,712

#### **Discontinued Operations:**

Others	-	-	-	36
	276,189	238,509	24,030	43,748

## 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 financial year.

## 10. Changes in Composition of the Group

There are no changes in composition of the Group for the current financial year 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 completion of the subscription, DHSB became a wholly-owned subsidiary of the Company.

On 14 October 2009, the Company acquired 2 ordinary shares of RM1.00 each in DKLS Clearwater Sdn Bhd (DCSB) for a total cash consideration of RM2.00 resulted in DCSB becoming a wholly-owned subsidiary of the Company. On 14 December 2009, the Company subscribed for an additional 44,998 ordinary shares of RM1.00 each at par in DCSB, making up the total shareholding of the Company to 45,000 ordinary shares of RM1.00 each which is equivalent to 45% equity interest in the enlarged issued and paid-up share capital of DCSB, for a total cash consideration of RM44,998. Upon completion of the subscription, DCSB ceased to be a subsidiary of the Company.

On 31 October 2009, the Company disposed off 49% equity interest in DKLS Energy Sdn Bhd (“DESB”) for a total cash consideration of RM4,165,000 resulted in DESB becoming a 51% 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 RM158,876,580 as at 31 December 2009.

The guarantees given to third parties for credit facilities granted to subsidiaries decreased from RM22,090,000 as at 31 December 2008 to RM17,540,000 as at 31 December 2009.

The guarantees given to financial institutions for facilities granted to main contractors in connection with contracts awarded to a subsidiary company amounted to RM21,850,000 as at 31 December 2009.

**12. Capital Commitments**

	<u>31 December 2009</u>
	RM'000
<b>Property, plant and equipment</b>	
Approved and contracted for	<u>985</u>
Approved but not contracted for	<u>5,135</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 BMSB's Listing Requirements**

### **1. Review of Performance**

The Group recorded a pre-tax profit of RM24.030 million on a revenue of RM276.189 million for the current financial year as compared to a pre-tax profit of RM43.712 million on a revenue of RM238.509 million for the previous financial year. The Group achieved a lower pre-tax profit despite a higher turnover as a result of the exceptional gains recorded in the preceding year. For the current financial year under review, the profit margin achieved is generally slightly higher than the previous financial year.

### **2. Variance of Results Against Preceding Quarter**

The revenue for the current quarter under review of RM57.737 million has decreased by 38.3% as compared to the revenue of RM93.590 million registered for the immediate preceding quarter. The pre-tax profit for the current quarter of RM1.071 million has decreased by 90% as compared to the pre-tax profit of RM10.777 million recorded for the immediate preceding quarter. The lower pre-tax profit was a result of the exceptional items provided for in the current quarter, i.e. provision for impairment loss of RM0.740 million, provision for obsolete stock of RM0.291 million, provision for doubtful debts of RM1.714 million and share of loss of associated company of RM1.565 million. If these exceptional items are excluded, the overall profit for the current quarter is consistent with the immediate preceding quarter's results.

### **3. Current Year Prospects**

The Group continues to operate in an environment that remains challenging and competitive. Barring any unforeseen circumstances, the directors expect the financial results of the Group to remain profitable for the financial year ending 31 December 2010.

### **4. Profit Forecast**

Not applicable as no profit forecast was published.

### **5. Tax expense**

	12 months ended 31 December	
	2009	2008
	RM'000	RM'000
Current tax expense	6,760	6,367
Deferred taxation	900	(305)
Under provision of tax in respect of prior years	179	(13)
Over provision of deferred tax in respect of prior years	33	(10)
	<u>7,872</u>	<u>6,039</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 current financial year except for the following:-

On 7 October 2009, DKLS Quarry & Premix Sdn Bhd, a wholly owned subsidiary of the Company, completed the sale of one unit double storey semi-detached residential house for a total consideration of RM241,000 resulted in a loss of RM9,000.

On 31 October 2009, the Company disposed off 49% equity interest representing 2,450,000 ordinary shares in DKLS Energy Sdn Bhd for a total cash consideration of RM4,165,000 resulted in a Group's loss of RM259,623 and Company's gain of RM1,715,000 respectively.

On 30 December 2009, the Company completed the sale of one unit 3 storey shop office for a total consideration of RM509,000 resulted in a gain of RM27,813.

## 7. Particulars of Purchase or Disposal of Quoted Securities

There were no purchases or disposals of quoted securities for the current financial year.

The investments in quoted securities were as follows:

	<u>31 December 2009</u> RM'000
Included within other investment:	
At cost	23
Less : Impairment loss	(9)
At carrying value	14
At market value	<u>14</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

	<u>31 December 2009</u> RM'000
<b>Short term borrowings</b>	
Bankers' acceptance (unsecured)	2,996
Bank overdraft (unsecured)	1,568
Revolving credits (unsecured)	1,800
Hire purchase creditors (current portion)	<u>2,165</u>
	8,529
<b>Long term borrowings</b>	
Hire purchase creditors	<u>79</u>
	<u><u>8,608</u></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

The directors are pleased to recommend the payment of first and final dividend for the shareholders' approval at the forthcoming Annual General Meeting as follows:-

- (a) A first and final dividend of 3.00 sen less 25% income tax [2008 : 3.00 sen less 25% income tax].
- (b) (i) Amount per share : 2.25 sen (net) per share.  
(ii) Previous corresponding period : 2.25 sen (net) per share.  
(iii) Total dividend for the current financial year : 2.25 sen (net) [2008 : 2.25 sen (net) per share].
- (c) Date of payment will be determined at a later date.
- (d) Date of entitlement will be determined at later date.

## 13. Basic Earnings Per Share

### *Basic earnings per share*

	Current quarter RM	Current financial year RM
Net (loss)/profit attributable to equity holders of the parent	<u>(332,353)</u>	<u>16,387,088</u>

### *Weighted average number of ordinary shares*

Issued ordinary shares at beginning of the quarter/year	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 Payment Bond guarantees amounting to RM18.422 million on behalf of the main contractors. As at the end of the reporting period, the Company has given guarantees amounting to RM21.850 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 February 2010