

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter and 12 months ended 31 December 2011 - unaudited**

	Note	Individual Quarter 3 months ended 31 December		Cumulative Quarters 12 months ended 31 December	
		2011	2010	2011	2010
		RM	RM	RM	RM
Revenue		50,722,245	46,454,149	183,865,430	190,742,121
Interest income		531,798	607,773	2,273,376	1,921,963
Other income		1,996,363	(240,685)	5,309,950	4,309,715
Operating expenses		(41,965,788)	(36,873,823)	(146,624,987)	(151,399,142)
Changes in work-in-progress and finished goods		(1,042,927)	(425,590)	(8,441)	1,432,053
Employee benefit expenses		(2,288,722)	(2,362,597)	(10,251,518)	(10,565,350)
Administrative expenses		(2,822,191)	(5,069,482)	(6,591,850)	(15,671,759)
Profit from operating activities	A8	5,130,778	2,089,745	27,971,960	20,769,601
Interest expense		(286,805)	(228,359)	(1,023,699)	(905,054)
Share of loss of associates, net of tax		(666,214)	(2,979,049)	(2,249,219)	(4,745,278)
Profit before tax		4,177,759	(1,117,663)	24,699,042	15,119,269
Income tax expense		(1,177,935)	(1,234,091)	(7,141,763)	(6,129,866)
Profit for the period/year		2,999,824	(2,351,754)	17,557,279	8,989,403
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		25,118	(90,081)	347,254	(110,567)
Gain/(loss) on fair value changes on available-for-sale investments		74	1,846	(10,556)	(461)
Fair value adjustment arising from transfer of property, plant and equipment to investment properties		-	1,157,522	-	1,157,522
Share of other comprehensive income of associates		(276)	-	(276)	-
Other comprehensive income for the period/year, net of tax		24,916	1,069,287	336,422	1,046,494
Total comprehensive income for the period/year		3,024,740	(1,282,467)	17,893,701	10,035,897
Profit for the period/year attributable to:					
Owners of the Company		3,615,983	(2,798,201)	19,260,505	9,283,202
Minority interests		(616,159)	446,447	(1,703,226)	(293,799)
Profit for the period/year		2,999,824	(2,351,754)	17,557,279	8,989,403
Total comprehensive income attributable to:					
Owners of the Company		3,628,402	(1,742,343)	19,495,775	10,431,054
Minority interests		(603,662)	459,876	(1,602,074)	(395,157)
Total comprehensive income for the period/year		3,024,740	(1,282,467)	17,893,701	10,035,897
Basic/Diluted, earnings per ordinary share (sen)		3.90	(3.02)	20.78	10.01

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2010 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Financial Position
As at 31 December 2011 - unaudited**

	31 December 2011 RM	31 December 2010 RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	58,684,124	54,169,025
Land held for property development	20,762,297	19,442,255
Investment properties	23,320,000	13,329,160
Land use rights	203,110	191,707
Investments in associates	53,135,155	49,513,144
Available-for-sale investments	17,765	13,382
Quarry extraction exclusive rights	714,067	803,325
Trade and other receivables	1,188,024	1,110,303
Deferred tax assets	578,886	-
Total non-current assets	<u>158,603,428</u>	<u>138,572,301</u>
Current Assets		
Property development costs	15,372,565	17,250,936
Inventories	10,020,646	9,615,667
Trade and other receivables	86,406,815	70,475,018
Other current assets	4,981,426	1,700,369
Available-for-sale investments	5,063,680	-
Tax recoverable	1,921,893	1,159,932
Cash and cash equivalents	77,171,276	100,802,747
Total current assets	<u>200,938,301</u>	<u>201,004,669</u>
TOTAL ASSETS	<u>359,541,729</u>	<u>339,576,970</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	163,039,692	145,864,928
Reserves	1,499,503	1,264,233
Total equity attributable to owners of the Company	<u>265,996,391</u>	<u>248,586,357</u>
Minority interests	<u>9,212,363</u>	<u>10,813,317</u>
Total equity	<u>275,208,754</u>	<u>259,399,674</u>
Non-Current Liabilities		
Loans and borrowings	12,229,414	9,967,072
Deferred tax liabilities	8,019,008	8,396,294
Total non-current liabilities	<u>20,248,422</u>	<u>18,363,366</u>
Current Liabilities		
Loans and borrowings	13,271,716	5,661,805
Trade and other payables	43,649,630	34,151,696
Other current liabilities	5,780,147	21,237,725
Tax payable	1,383,060	762,704
Total current liabilities	<u>64,084,553</u>	<u>61,813,930</u>
Total liabilities	<u>84,332,975</u>	<u>80,177,296</u>
TOTAL EQUITY AND LIABILITIES	<u>359,541,729</u>	<u>339,576,970</u>
Net assets per share attributable to owners of the Company (RM)	<u>2.87</u>	<u>2.68</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2010 and the accompanying notes attached to the Interim Financial Statements.

Condensed Consolidated Statement of Changes in Equity
For 12 months ended 31 December 2011 - unaudited

	Share capital		Share premium		Attributable to owners of the Company		Distributable		Minority Interests	Total Equity
	RM	RM	RM	RM	Non distributable	Asset revaluation surplus	Fair value adjustment reserve	Retained profits		
	RM	RM	RM	RM	Foreign currency translation reserve	RM	RM	RM	RM	RM
12 months ended 31 December 2011										
Balance at 1 January 2011	92,699,600	8,757,596	(303,215)	1,567,909	(461)	145,864,928	248,586,357	10,813,317	259,399,674	
Total comprehensive income for the year	-	-	245,826	-	(10,556)	19,260,505	19,495,775	(1,602,074)	17,893,701	
Transactions with owners:										
Issuance of ordinary shares by subsidiaries	-	-	-	-	-	-	-	1,120	1,120	
Dividend on ordinary shares (Note A7)	-	-	-	-	-	(2,085,741)	(2,085,741)	-	(2,085,741)	
Total transactions with owners	-	-	-	-	-	(2,085,741)	(2,085,741)	1,120	(2,084,621)	
Balance at 31 December 2011	92,699,600	8,757,596	(57,389)	1,567,909	(11,017)	163,039,692	265,996,391	9,212,363	275,208,754	
12 months ended 31 December 2010										
Balance at 1 January 2010	92,699,600	8,757,596	(294,006)	410,387	-	138,778,465	240,352,042	11,208,474	251,560,516	
Effects of adopting FRS 139	-	-	-	-	-	(110,998)	(110,998)	-	(110,998)	
Total comprehensive income for the year	-	-	(294,006)	410,387	-	138,667,467	240,241,044	11,208,474	251,449,518	
Dividend on ordinary shares, representing total transaction with owners (Note A7)	-	-	(9,209)	1,157,522	(461)	9,283,202	10,431,054	(395,157)	10,035,897	
Balance at 31 December 2010	92,699,600	8,757,596	(303,215)	1,567,909	(461)	145,864,928	248,586,357	10,813,317	259,399,674	

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2010 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows
For the 12 months ended 31 December 2011 - unaudited**

	12 months ended 31 December	
	2011	2010
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation from:	24,699,042	15,119,269
Adjustment for :-		
Amortisation of land use rights	4,556	4,219
Amortisation of quarry extraction exclusive rights	89,258	89,258
Depreciation	4,176,795	4,141,423
Dividend income from available-for-sale investments	(83,861)	-
Fair value adjustments of investment properties, net	(2,095,061)	(10,000)
Gain on disposal of property, plant and equipment, net	(394,910)	(1,561,415)
Interest expense	1,032,770	936,303
Interest income	(2,273,376)	(1,921,963)
(Write back of)/provision for impairment loss on:		
- property, plant and equipment	(14,001)	(341,208)
- trade and other receivables	1,026,645	11,251,641
Net fair value loss on available-for-sale investments	2,126	-
Property, plant and equipment written off	73,638	142,895
Reversal of provision for foreseeable losses	-	(2,858,000)
Share of loss of associates	2,249,219	4,745,278
Unrealised (loss)/gain on foreign exchange	(330,142)	698,454
Upkeep of access road expensed off	-	841
Write-down inventories	349,373	187,296
Operating profit before changes in working capital	28,512,071	30,624,291
Changes in working capital:-		
Net changes in current assets	(19,980,249)	28,621,604
Net changes in current liabilities	(4,062,419)	(18,184,702)
Cash generated from operations	4,469,403	41,061,193
Interest paid	(237,912)	(255,657)
Interest received	364,404	254,209
Taxes paid	(8,239,540)	(6,173,099)
Net cash (used in)/generated from operating activities	(3,643,645)	34,886,646

DKLS INDUSTRIES BERHAD (369472 - P)

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**Condensed Consolidated Statement of Cash Flows
For the 12 months ended 31 December 2011 - unaudited**

	12 months ended 31 December	
	2011 RM	2010 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,831,251	1,595,117
Repayment from/(advance to) associates	1,145,432	(3,823,920)
Land held for property development	(1,320,042)	(192,912)
Net dividend received from available-for-sale investments	83,861	-
Placement of deposit pledged	(3,358)	(2,629)
Proceeds from disposal of:		
- available-for-sale investments	3,006,215	-
- property, plant and equipment	1,923,913	2,204,529
Proceeds from issue of shares in subsidiaries to minority interests	1,120	-
Purchase of:		
- investment properties	(7,895,779)	-
- property, plant and equipment	(8,043,626)	(3,764,391)
- available-for-sale investments	(8,086,960)	-
- shares in associates	(5,777,134)	(405,000)
Net cash used in investing activities	<u>(23,135,107)</u>	<u>(4,389,206)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,085,741)	(2,085,741)
Drawdown from term loan	2,753,000	-
Interest paid	(179,537)	(103,151)
Repayment of term loan	(141,000)	-
Repayment of hire purchase liabilities	(2,792,413)	(2,679,772)
Net cash used in financing activities	<u>(2,445,691)</u>	<u>(4,868,664)</u>
Net (decrease)/increase in cash and cash equivalents	(29,224,443)	25,628,776
Effects of exchange rate differences	97,494	(157,444)
Cash and cash equivalents at beginning of the year	99,806,209	74,334,877
Cash and cash equivalents at end of the year	<u>70,679,260</u>	<u>99,806,209</u>

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:

Cash and bank balances	16,912,229	12,827,192
Deposits with licensed banks	58,536,513	81,861,714
Deposits with licensed financial institution	1,722,534	6,113,841
Bank overdrafts	(6,366,560)	(874,440)
	<u>70,804,716</u>	<u>99,928,307</u>
Less : Deposit pledged for banking facilities	(125,456)	(122,098)
	<u>70,679,260</u>	<u>99,806,209</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2010 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD

(Company No. 369472-P)

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A. Notes to the Interim Financial Statements

A1. Basis of Preparation

These interim financial statements are unaudited and have 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 statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010. The explanatory notes attached to the interim financial statements 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 year ended 31 December 2010.

A2. Significant Accounting Policies

2.1 Changes in Accounting Policies

The significant accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those of the Group's consolidated audited financial statements for the year ended 31 December 2010 except as follows:

On 1 January 2011, the Group adopted the following applicable new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

FRS 3 : Business Combinations (revised)

Amendments to FRS 5 : Non-currents Assets held for Sale and Discontinued Operations

Amendments to FRS 127 : Consolidated and Separate Financial Statements

Amendments to FRS 7 : Improving Disclosures about Financial Instruments

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"

Adoption of the above standards and interpretation did not have any effect on the financial performance or position of the Group.

2.2 Malaysian Financial Reporting Standards (MFRS)

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretation 15 Agreements for Construction of Real Estate ("IC 15"), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

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A2. Significant Accounting Policies

2.2 Malaysian Financial Reporting Standards (MFRS) (cont'd.)

The Group falls within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group and the Company will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the year ending 31 December 2013. In presenting their first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has commenced transitioning their accounting policies and financial reporting from the current Financial Reporting Standards to the MFRS Framework by establishing a project team to plan and manage the adoption of the MFRS Framework.

The Group has not completed their assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2013.

A3. Seasonal or Cyclical Factors

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

A4. 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.

A5. Changes in Estimates

There were no changes in estimation that have had any material effect on the current quarter and financial year results.

A6. Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities, share buy-back and share held as treasury shares during the current financial year.

A7. Dividend Paid

The Company paid a first and final single tier dividend of 2.25 sen per share on 92,699,600 ordinary shares amounting to RM2,085,741 in respect of financial year ended 31 December 2010 (2010 : RM2,085,741 in respect of financial year ended 31 December 2009) on 18 August 2011.

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A8. Profit from operating activities

	3 months ended		12 months ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM	RM	RM	RM
Dividend income from available-for-sale investments	(52,408)	-	(83,861)	-
Net fair value loss on available-for-sale investments	2,126	-	2,126	-
Fair value adjustment of investment properties, net	(2,095,061)	(10,000)	(2,095,061)	(10,000)
Amortisation of land use rights	1,139	1,055	4,556	4,219
Amortisation of quarry extraction exclusive rights	22,315	22,315	89,258	89,258
Total depreciation	1,036,662	1,054,867	4,176,795	4,141,423
Depreciation capitalised under construction costs	(326,353)	(369,713)	(1,367,607)	(1,449,783)
Depreciation charged to profit from operating activities	710,309	685,154	2,809,188	2,691,640
(Gain)/loss on disposal of property, plant and equipment	(71,918)	9,522	(394,910)	(1,561,415)
Property, plant and equipment written off	2,425	33,297	73,638	142,895
Write back of provision for impairment loss on property, plant and equipment	(14,001)	(341,208)	(14,001)	(341,208)
Inventories written off	349,373	187,296	349,373	187,296
(Gain)/loss on foreign exchange				
- unrealised	(16,587)	37,556	(330,142)	698,454
- realised	16,411	(19,463)	123,263	(17,682)
Provision for impairment loss on trade and other receivables	1,524,491	4,853,428	1,026,645	11,251,641
Write back of provision for foreseeable losses	-	(2,858,000)	-	(2,858,000)
Gain on derivatives	N/A	N/A	N/A	N/A

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A9. Segmental reporting

Business Segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment.

3 months ended	Investment	Construction	Manufacturing	Property	Others	Total
31 December 2011	RM	RM	RM	development	RM	RM
				RM		
Revenue						
Total revenue	308,862	24,870,593	21,213,004	11,248,280	1,960,037	59,600,776
Inter-segment sales	231,612	6,798,473	527,822	-	1,320,624	8,878,531
External sales	77,250	18,072,120	20,685,182	11,248,280	639,413	50,722,245
Results						
Segment results	1,480,818	(3,041,951)	2,823,782	4,087,585	(219,456)	5,130,778
Interest expense	(200,761)	(12,896)	(37,509)	(35,639)	-	(286,805)
Group's share of results of associates	-	10,366	-	-	(676,580)	(666,214)
Profit/(loss) before taxation	1,280,057	(3,044,481)	2,786,273	4,051,946	(896,036)	4,177,759
Income tax expense	39,322	693,417	(875,111)	(1,019,050)	(16,513)	(1,177,935)
Profit for the period						2,999,824
Total Assets						
Segment assets	5,569,882	(2,047,513)	5,239,302	166,676	1,111,407	10,039,754
Interests in associates	(6,125)	10,366	-	-	(676,857)	(672,616)
Unallocated corporate assets						(415,857)
Total assets						8,951,281

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

3 months ended	Investment	Construction	Manufacturing	Property	Others	Total
31 December 2010	RM	RM	RM	development	RM	RM
				RM		
Revenue						
Total revenue	38,025	20,740,339	21,743,814	3,521,849	6,629,295	52,673,322
Inter-segment sales	30,000	4,513,253	645,030	-	1,030,890	6,219,173
External sales	8,025	16,227,086	21,098,784	3,521,849	5,598,405	46,454,149
Results						
Segment results	(368,557)	(1,018,710)	3,205,375	(5,347)	276,984	2,089,745
Interest expense	(144,374)	-	(52,322)	(30,103)	(1,560)	(228,359)
Group's share of result of associates	-	(31,104)	-	-	(2,947,945)	(2,979,049)
(Loss)/Profit before taxation	(512,931)	(1,049,814)	3,153,053	(35,450)	(2,672,521)	(1,117,663)
Income tax expense	190,933	(616,849)	(603,024)	(44,124)	(161,027)	(1,234,091)
Profit for the period						<u>(2,351,754)</u>
Total Assets						
Segment assets	5,161,456	(8,867,748)	359,073	1,786,806	(1,085,950)	(2,646,363)
Interests in associates	(3,806,725)	(31,104)	-	-	865,378	(2,972,451)
Unallocated corporate assets						124,033
Total assets						<u>(5,494,781)</u>

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

12 months ended	Investment	Construction	Manufacturing	Property	Others	Total
31 December 2011	RM	RM	RM	development	RM	RM
				RM		
Revenue						
Total revenue	9,243,012	91,286,506	71,841,432	44,064,847	14,776,427	231,212,224
Inter-segment sales	8,996,212	27,663,674	4,484,993	-	6,201,915	47,346,794
External sales	246,800	63,622,832	67,356,439	44,064,847	8,574,512	183,865,430
Results						
Segment results	425,325	5,609,685	11,176,398	11,210,433	(449,881)	27,971,960
Interest expense	(679,999)	(64,571)	(181,945)	(95,150)	(2,034)	(1,023,699)
Group's share of results of associates	-	10,366	-	-	(2,259,585)	(2,249,219)
(Loss)/Profit before taxation	(254,674)	5,555,480	10,994,453	11,115,283	(2,711,500)	24,699,042
Income tax expense	277,064	(1,517,329)	(2,936,921)	(2,891,985)	(72,592)	(7,141,763)
Profit for the year						17,557,279
Total Assets						
Segment assets	83,355,518	83,109,787	69,167,070	53,077,456	10,114,519	298,824,350
Interests in associates	54,010,491	10,366	-	-	(885,702)	53,135,155
Unallocated corporate assets						7,582,224
Total assets						359,541,729

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

12 months ended 31 December 2010	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	5,657,750	103,178,747	75,406,676	18,792,282	14,840,615	217,876,070
Inter-segment sales	5,620,000	12,917,604	4,338,252	-	4,258,093	(27,133,949)
External sales	37,750	90,261,143	71,068,424	18,792,282	10,582,522	190,742,121
Results						
Segment results	(2,149,981)	7,446,634	12,391,211	2,444,856	636,881	20,769,601
Interest expense	(577,495)	(66,683)	(152,969)	(80,799)	(27,108)	(905,054)
Group's share of result of associates	-	(50,835)	-	-	(4,694,443)	(4,745,278)
(Loss)/Profit before taxation	(2,727,476)	7,329,116	12,238,242	2,364,057	(4,084,670)	15,119,269
Income tax expense	492,895	(2,872,449)	(2,772,898)	(760,376)	(217,038)	(6,129,866)
Profit for the year						<u>8,989,403</u>
Total Assets						
Segment assets	79,670,886	88,101,790	60,513,253	48,866,519	11,738,064	288,890,512
Interests in associates	48,644,201	-	-	-	868,943	49,513,144
Unallocated corporate assets						1,173,314
Total assets						<u>339,576,970</u>

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A10. Material Subsequent Events

There were no material events after the interim period that have not been reflected in the interim financial statements for the current financial year.

A11. Changes in Composition of the Group

- (a) On 7 June 2011, DKLS Management Sdn Bhd ("DMSB"), a wholly owned subsidiary of the Company, subscribed for 40% interest in the registered capital of Jinbaolong (Fujian) Electronic Co Ltd ("Jinbaolong"), a corporation incorporated in the People's Republic of China, comprising USD2 million for a total consideration of USD0.8 million (equivalent to RM2,417,840), thus making Jinbaolong an associate company of DMSB. The principal activity of Jinbaolong is consistent with that of manufacturing concern. However, Jinbaolong is currently dormant.
- (b) On 10 June 2011, the Company acquired 2 ordinary shares of RM1.00 each in DKLS Premierhome Sdn Bhd ("DPSB"), representing the entire issued and paid up share capital of DPSB for a total cash consideration of RM2.00, thus making DPSB a wholly-owned subsidiary of the Company. DPSB is presently dormant. However, its intended principal activity is that of property development.
- (c) On 18 July 2011, the Company subscribed for 7 ordinary shares of RM1.00 each at par in DKLS Lakeview Sdn Bhd ("DLSB") for a total cash consideration of RM7.00 ("Subscription"). On 22 December 2011, the Company acquired 3 ordinary shares of RM1.00 each for a total cash consideration of RM3.00 ("Purchase"). Upon completion of the Purchase, DLSB becomes a wholly owned subsidiary of the Company. DLSB is presently dormant. However, its intended principal activity is that of investment holding company.
- (d) On 29 August 2011, DMSB acquired 40% equity interest in the registered capital of Fujian Zhongguan Construction Materials Co Ltd ("Zhongguan"), a corporation incorporated in the People's Republic of China, for a total cash consideration of RMB7,200,000 (equivalent to RM3,359,294), thus making Zhongguan an associate company of DMSB. The principal activity of Zhongguan is that of manufacturing concern. However, Zhongguan is currently dormant.
- (e) On 14 November 2011, the Company subscribed for 550 units in an Australian Unit Trust known as DKLS Aust Trust, representing 55% of the total issued unit trust in DKLS Aust Trust for a total consideration of AUD550 (equivalent to approximately RM1,780).

On 8 December 2011, the Company further acquired 252 units of unit trust of AUD1 each from other unitholders in DKLS Aust Trust for a total consideration of AUD 252 (equivalent to approximately RM811). Upon completion of acquisitions, the Company holds 80.2% of the total issued unit trust of DKLS Aust Trust. The principal activity of DKLS Aust Trust is primarily to hold a commercial property in Central Business District ("CBD"), Melbourne, Australia.
- (f) On 19 December 2011, the Company subscribed for 802 ordinary shares of SGD1 each in Swenston Pte Ltd ("Swenston"), representing 80.2% of the issued and paid up share capital of Swenston for a cash consideration of SGD802 (equivalent to approximately RM1,949) ("Subscription"). Upon the completion of the Subscription, Swenston becomes a 80.2% owned subsidiary of the Company. Swenston is used as a special purpose vehicle to facilitate the borrowing of funds to finance the acquisition of property in CBD, Melbourne, Australia.

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A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities	As at	
	2011	2010
	RM	RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	46,015,238	31,040,801
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	1,192,746	1,019,899
Corporate guarantee given to a bank for facilities granted to third parties in connection with projects to be performed by a subsidiary	11,850,000	11,850,000
	<u>59,057,984</u>	<u>43,910,700</u>

The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not recognized the value of the obligation under the financial guarantee in the statement of financial position.

(b) Contingent Assets

There were no contingent assets since 31 December 2010.

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A13. Related Party Disclosures

Significant related party transactions are as follows:

	3 months ended 31 December		12 months ended 31 December	
	2011	2010	2011	2010
	RM	RM	RM	RM
Purchase of office suites and penthouse from Ipoh Tower Sdn Bhd	-	-	(3,500,000)	-
Maintenance service charges & sinking fund charged by Ipoh Tower Sdn Bhd	(11,903)	(8,009)	(44,883)	(32,035)
Sale of materials to :				
Yu Marketing Sdn Bhd	2,077	-	601,647	-
Juta Mahsuri Sdn Bhd	51,329	-	84,839	33,325
Purchase of consumables from DKLS Service Station	(31,768)	(24,760)	(123,342)	(116,370)
Rental of building paid to Ding Poi Bor	(15,000)	(15,000)	(60,000)	(60,000)
Rental income received from Arkitek Ding poi Kooi	2,250	2,250	9,000	9,000
Architect fees paid to Arkitek Ding Poi Kooi	-	(182,453)	-	(182,453)

The Directors are of the opinion that all related party transactions have been entered into in the ordinary course of business at arm's length basis on normal commercial terms.

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

A14. Capital Commitments

	As at 31 December 2011 RM
Approved and contracted for:	851,230
Property, plant and equipment	38,984,570
Investment properties	50,551,694
Development properties	<u>90,387,494</u>
Approved but not contracted for:	<u>3,423,440</u>
Property, plant and equipment	

A15. Operating lease commitments - as lessor

Future minimum rentals receivables under non-cancellable operating leases are as follows:

	As at 31 December 2011 RM
Not later than 1 year	601,180
Later than 1 year but not later than 5 years	1,030,750
	<u>1,631,930</u>

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B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

(a) Review of Performance for 4Q11 vs 4Q10

The Group recorded a profit before tax for the quarter ended 31 December 2011 (4Q11) of RM4.178 million as compared to loss before tax of RM1.118 million for quarter ended 31 December 2010 (4Q10). This was mainly due to the additional provision for impairment loss on trade and other receivables of RM4.853 million in 4Q10 (RM1.524 million in 4Q11) and an increase in the share of loss from associates of RM2.27 million as a result of the additional provision made by an associate for impairment loss on property, plant and equipment in 4Q10. Comparatively, the main contributor of profit for 4Q11 was the property development segment of which profit was fully recognised upon obtaining certificate of fitness for certain phases of the Group's property development activities.

(b) Review of Performance for FY2011 vs FY2010

The Group recorded a profit before tax of RM24.699 million for the financial year ended 31 December 2011 (FY2011), an increase of RM9.580 million (or 63%) from RM15.119 million for the financial year ended 31 December 2010 (FY2010). The main contribution of the profit of the Group was principally from the property development segment as analysed below:-

	FY2011 vs FY2010
	Increase/(Decrease)
	RM'000
Investment - reduction in loss	2,473
Construction - reduction in profit	(1,774)
Manufacturing - reduction in profit	(1,243)
Property development - increase in profit	8,751
Others - reduction in loss	1,373
	<u>9,580</u>

Investment

The external revenue of the investment segment mainly derived from the income from investment properties. The reduction in the loss was due to the fair value adjustment of investment properties of RM1.8 million.

Construction

In FY 2011, the Group's construction segment recorded a profit before tax of RM5.555 million on a revenue of RM63.623 million, a reduction of profit of 24% as compared to RM7.329 million on a revenue of RM90.261 million in FY 2010. The continued accelerating costs gave rise to lower overall profit margin whilst the lower revenue recorded in FY 2011 was mainly due to the completion of certain projects undertaken by the Group. Lower profit achieved due to lower revenue recorded.

Manufacturing

The lower profit before tax, a decrease of 10% recorded by manufacturing segment was mainly due to the lower revenue achieved for FY 2011 and write of obsolete stocks amounting to RM0.349 million (RM0.187 million in FY2010). Excluding the write of obsolete stocks, the profit margin was consistent with FY 2010.

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B1. Operating Segment Review (cont'd.)

(b) Review of Performance for FY2011 vs FY2011 (cont'd.)

Property Development

Property development segment recorded a higher profit before tax of RM11.115 million, an increase of more than 300% due to full recognition of profit upon obtaining of certificate of fitness for certain phases of the Group's property development activities.

Others

In FY 2010, one of the Group's associates recorded a loss of RM14.948 million due to the provision of impairment loss on property, plant and equipment amounted to RM11.82 million of which the Group's share of loss amounted to RM4.484 million. In FY 2011, the Group's associates have continued to record losses due to unfavourable business environment.

B2. Variance of Results Against Preceding Quarter

The revenue for 4Q11 increased by 3.58% as compared to the revenue of RM48.969 million registered for the immediate preceding quarter (3Q11). However, the Group recorded a lower pre-tax profit of RM4.178 million for 4Q11 despite higher revenue as compared to the pre-tax profit of RM9.066 million for 3Q11. The lower pre-tax profit in 4Q11 was mainly due to the lower profit realised for the construction projects which were completed in the current quarter under review and provision for impairment loss on trade and other receivables of RM1.524 million in the current quarter under review.

B3. Propects

Going forward, the directors expect the Group's operating environment to remain challenging and competitive. Barring any unforeseen circumstances and given the intense competition within the construction industry, the directors expect the profitability growth for the Group to be challenging.

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B3. Income tax expense

	3 months ended		12 months ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	2,069,692	872,070	8,003,443	5,438,474
Foreign tax	1,500	782	2,201	1,207
Under provision in prior years	-	40,002	92,291	305,686
	<u>2,071,192</u>	<u>912,854</u>	<u>8,097,935</u>	<u>5,745,367</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	(880,607)	320,098	(951,287)	658,242
(Over)/under provision in prior years	(12,650)	1,139	(4,885)	(273,743)
	<u>(893,257)</u>	<u>321,237</u>	<u>(956,172)</u>	<u>384,499</u>
Income tax expense	<u>1,177,935</u>	<u>1,234,091</u>	<u>7,141,763</u>	<u>6,129,866</u>

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	3 months ended		12 months ended	
	31 December		31 December	
	2011	2010	2011	2010
	RM	RM	RM	RM
Profit/(loss) before taxation	<u>4,177,759</u>	<u>(1,117,663)</u>	<u>24,699,042</u>	<u>15,119,269</u>
Taxation at applicable tax rates	1,044,439	(279,416)	6,174,760	3,779,817
Income not subject to tax	(690,106)	(94,120)	(885,520)	(1,401,708)
Expenses not deductible	674,960	1,641,214	1,684,482	3,926,773
Utilisation of current year reinvestment allowance	127,625	(46,801)	-	(179,032)
Difference in tax rate	78	-	78	(2,000)
Deferred tax assets not recognised	33,589	-	80,557	-
Other differences	-	(25,927)	-	(25,927)
Under provision of current tax in prior years	-	40,002	92,291	305,686
(Over)/under provision of deferred tax in prior years	(12,650)	1,139	(4,885)	(273,743)
Income tax expense	<u>1,177,935</u>	<u>1,236,091</u>	<u>7,141,763</u>	<u>6,129,866</u>

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B4. Corporate Proposals and Profit Forecast

Not applicable as no profit forecast was published.

There were no corporate proposals announced but not completed as at the reporting date.

B5. Borrowing and Debt Securities

	As at 31 December	
	2011	2010
	RM	RM
Short term borrowings		
Hire purchase liabilities (secured)	820,931	1,164,365
Term loan (secured)	564,000	-
Bank overdrafts (unsecured)	6,366,560	874,440
Revolving credits (unsecured)	1,800,000	1,800,000
Bankers' acceptances (unsecured)	3,720,225	1,823,000
	<u>13,271,716</u>	<u>5,661,805</u>
Long term borrowings		
Hire purchase liabilities (secured)	171,880	572,859
Term loan (secured)	2,048,000	-
Non-cumulative redeemable preference shares (unsecured) ("NCRPS")	10,009,534	9,394,213
	<u>12,229,414</u>	<u>9,967,072</u>
Total borrowings	<u>25,501,130</u>	<u>15,628,877</u>

Borrowings are denominated in Ringgit Malaysia.

B6. Changes in Material Litigation

There was no material litigation against the Group as at the reporting date.

B7. Proposed Dividend

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

- (a) A first and final single tier dividend of 3.00 sen [2010: 2.25 sen] per share
- (b) (i) Amount per share : 3.00 sen per share
(ii) Previous corresponding period : 2.25 sen per share
(iii) Total dividend for the current financial year : 3.00 sen [2010: 2.25 sen] per share
- (c) Date of payment will be determined at a later date.
- (d) Date of entitlement will be determined at a later date.

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B8. Basic Earnings Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted number of ordinary shares in issue during the financial year:

	Individual Quarter 3 months ended 31 December		Cumulative Quarter 12 months ended 31 December	
	2011 RM	2010 RM	2011 RM	2010 RM
Profit attributable to owners of the Company	3,615,983	(2,798,201)	19,260,505	9,283,202
Weighted average number of ordinary shares in issue	92,699,600	92,699,600	92,699,600	92,699,600
	Sen	Sen	Sen	Sen
Basic earnings per share	3.90	(3.02)	20.78	10.01

(b) Diluted

There is no dilutive effect on earnings per share as the Company has no potential issues of ordinary shares.

B9. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2010 was unqualified.

B10. 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 RM28.539 million on behalf of the main contractors. As at the end of the reporting period, the Company had given guarantees amounting to RM11.85 million to financial institutions for facility granted to a subsidiary company's main contractors. The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not recognized the value of the obligation under the Financial Guarantee in its books.

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B11. Breakdown of Realised and Unrealised Profits/(Losses)

	As at 31 December	
	2011	2010
	RM	RM
Total retained profits of the Group		
- Realised profits	214,371,190	207,592,958
- Unrealised losses	(14,006,113)	(18,730,965)
	<u>200,365,077</u>	<u>188,861,993</u>
Total share of accumulated losses from associated companies		
- Realised losses	(8,931,655)	(6,746,337)
- Unrealised losses	(91,681)	(27,504)
	<u>(9,023,336)</u>	<u>(6,773,841)</u>
Less: Consolidated adjustments	<u>(28,302,049)</u>	<u>(36,223,224)</u>
Retained profits as per statement of financial position	<u>163,039,692</u>	<u>145,864,928</u>

By Order of the Board

Cheai Weng Hoong
Chan May Yoke
Company Secretaries

Dated : 24 February 2012