

Condensed Consolidated Statement of Comprehensive Income
For the quarter and 12 months ended 31 December 2016 - unaudited

Note	Current Quarter 3 months ended 31 December		Current financial year 12 months ended 31 December	
	2016	2015	2016	2015
	RM	RM	RM	RM
Revenue	64,535,625	60,770,620	246,173,215	222,184,229
Interest income	2,270,225	1,340,943	3,490,334	2,946,605
Other income	38,637,392	(742,471)	43,662,444	10,122,876
Operating expenses	(47,205,534)	(45,683,257)	(193,521,320)	(175,359,969)
Changes in work-in-progress and finished goods	(1,851,986)	33,370	(567,543)	1,320,114
Employee benefit expenses	(3,401,206)	(2,658,369)	(13,516,420)	(13,103,440)
Administrative expenses	(12,345,607)	(2,199,281)	(22,871,985)	(11,240,254)
Profit from operating activities	40,638,909	10,861,555	62,848,725	36,870,161
Interest expense	(1,678,901)	(2,885,871)	(6,631,891)	(7,599,800)
Share of profit/(loss) of associates, net of tax	42,867	(1,053,911)	835,499	(1,096,342)
Profit before tax	39,002,875	6,921,773	57,052,333	28,174,019
Income tax expense	(2,471,251)	(757,933)	(6,832,924)	(4,905,249)
Profit for the year, net of tax	36,531,624	6,163,840	50,219,409	23,268,770
Other comprehensive income, net of tax				
Items that will be reclassified to profit or loss in the future				
Foreign currency translation differences for foreign operations	2,025,686	131	1,806,442	285,133
Fair value changes on available-for-sale investments	(44,201)	3,100	(28,133)	25,702
Share of other comprehensive income of associates	(10,262,290)	(3,614,469)	(13,577,436)	10,574,672
Other comprehensive income for the year, net of tax	(8,280,805)	(3,611,238)	(11,799,127)	10,885,507
Total comprehensive income for the year	28,250,819	2,552,602	38,420,282	34,154,277
Profit attributable to:				
Owners of the Company	36,427,428	6,880,583	50,893,235	23,889,318
Non-controlling interests	104,196	(716,743)	(673,826)	(620,548)
Profit for the year	36,531,624	6,163,840	50,219,409	23,268,770
Total comprehensive income attributable to:				
Owners of the Company	27,638,641	4,756,118	40,071,599	30,888,600
Non-controlling interests	612,178	(2,203,516)	(1,651,317)	3,265,677
Total comprehensive income for the year	28,250,819	2,552,602	38,420,282	34,154,277
Basic/Diluted, earnings per ordinary share (sen)	39.30	7.42	54.90	25.77

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2015 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 2016 - unaudited**

	31 December 2016 RM	31 December 2015 RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	140,582,530	76,845,323
Land held for property development	125,984,915	123,647,688
Investment properties	123,965,000	119,650,000
Investments in associates	-	73,570,955
Available-for-sale investments	40,952	34,694
Quarry extraction exclusive right	267,776	357,034
Trade and other receivables	9,134,949	10,775,702
Deferred tax assets	1,931,427	1,590,275
Total non-current assets	<u>401,907,549</u>	<u>406,471,671</u>
Current Assets		
Property development costs	19,483,040	30,956,963
Inventories	59,579,461	46,093,237
Trade and other receivables	83,450,055	71,003,201
Other current assets	19,376,296	1,934,952
Available-for-sale investments	16,263,632	15,909,838
Tax recoverable	1,861,740	2,303,066
Cash and bank balances	50,293,934	72,918,368
Total current assets	<u>250,308,158</u>	<u>241,119,625</u>
TOTAL ASSETS	<u>652,215,707</u>	<u>647,591,296</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	290,893,645	242,781,398
Reserves	2,529,835	13,351,471
Total equity attributable to owners of the Company	<u>394,880,676</u>	<u>357,590,065</u>
Non-controlling interests	<u>9,714,462</u>	<u>11,328,046</u>
Total equity	<u>404,595,138</u>	<u>368,918,111</u>
Non-Current Liabilities		
Loans and borrowings	78,535,996	118,745,456
Trade and other payables	7,246,508	-
Deferred tax liabilities	2,457,340	6,991,704
Total non-current liabilities	<u>88,239,844</u>	<u>125,737,160</u>
Current Liabilities		
Loans and borrowings	25,453,083	27,128,027
Trade and other payables	101,393,256	103,412,953
Other current liabilities	31,675,551	21,169,540
Tax payable	858,835	1,225,505
	<u>159,380,725</u>	<u>152,936,025</u>
Total liabilities	<u>247,620,569</u>	<u>278,673,185</u>
TOTAL EQUITY AND LIABILITIES	<u>652,215,707</u>	<u>647,591,296</u>
Net assets per share attributable to owners of the Company (RM)	<u>4.26</u>	<u>3.86</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2015 and the accompanying notes attached to the Interim Financial Statements.

**Condensed Consolidated Statement of Changes in Equity
For 12 months ended 31 December 2016 - unaudited**

	Attributable to owners of the Company							Total equity RM		
	Non distributable			Distributable						
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Relating to assets held for sale RM	Asset revaluation reserve RM	Fair value adjustment reserve RM	Retained profits RM	Total RM	Non-controlling Interests RM	Total equity RM
12 months ended 31 December 2016										
At 1 January 2016	92,699,600	8,757,596	12,161,042	-	1,157,522	32,907	242,781,398	357,590,065	11,328,046	368,918,111
Total comprehensive income for the year	-	-	(10,796,468)	-	-	(25,168)	50,893,235	40,071,599	(1,651,317)	38,420,282
Transactions with owners:										
Changes in equity interest arising from acquisition of remaining shares in associate	-	-	-	-	-	-	-	-	9,212,848	9,212,848
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(9,171,050)	(9,171,050)
Final distribution to non-controlling interests	-	-	-	-	-	-	-	-	(4,065)	(4,065)
Dividend on ordinary shares	-	-	-	-	-	-	(2,780,988)	(2,780,988)	-	(2,780,988)
	-	-	-	-	-	-	(2,780,988)	(2,780,988)	37,733	(2,743,255)
At 31 December 2016	92,699,600	8,757,596	1,364,574	-	1,157,522	7,739	290,893,645	394,880,676	9,714,462	404,595,138
12 months ended 31 December 2015										
At 1 January 2015 (As previously stated)	92,699,600	8,757,596	3,797,351	741,905	1,157,522	8,588	219,985,894	327,148,456	8,268,986	335,417,442
Adjustment arising from reclassification of non-current asset held for sale	-	-	1,241,760	-	-	-	689,351	1,931,111	1,855,381	3,786,492
At 1 January 2015 (Restated)	92,699,600	8,757,596	5,039,111	741,905	1,157,522	8,588	220,675,245	329,079,567	10,124,367	339,203,934
Reclassification	-	-	296,521	(296,521)	-	-	-	-	-	-
Total comprehensive income for the year	-	-	6,805,224	169,739	-	24,319	23,889,318	30,888,600	3,265,677	34,154,277
Transactions with owners:										
Changes in equity interests in a subsidiary held for sale	-	-	-	(615,123)	-	-	-	997,823	(1,087,823)	(90,000)
Disposal of non-current assets	-	-	-	-	-	-	-	(615,123)	(974,175)	(1,589,298)
Interests in subsidiary written off	-	-	20,186	-	-	-	-	20,186	-	20,186
Dividend on ordinary shares	-	-	20,186	(615,123)	-	-	(2,780,988)	(2,780,988)	-	(2,780,988)
	-	-	-	-	-	-	(1,783,165)	(2,378,102)	(2,061,998)	(4,440,100)
At 31 December 2015	92,699,600	8,757,596	12,161,042	-	1,157,522	32,907	242,781,398	357,590,065	11,328,046	368,918,111

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows
For the 12 months ended 31 December 2016 - unaudited**

	Current financial year 12 months ended 31 December	
	2016	2015
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	57,052,333	28,174,019
Adjustments for :-		
Amortisation of quarry extraction exclusive right	89,258	89,258
Bad debts written off	66	13,155
Depreciation	9,731,893	7,730,718
Dividend income from available-for-sale investments	(678,732)	(113,161)
Fair value adjustments of investment properties, net	(4,292,400)	(825,000)
Gain on deregistered of a subsidiary	(142,949)	-
Gain on disposal of:		
- available-for-sale investments	(67,201)	(3,950)
- investment in subsidiaries	(14,194,799)	-
- non-current assets held for sale, net	-	(772,871)
- property, plant and equipment, net	(1,083,737)	(1,179,129)
Gain on remeasurement to fair value of existing shares in associate	(14,895,575)	-
Interest expense	7,068,810	8,661,235
Interest income	(3,490,334)	(2,946,605)
Investment in subsidiary written off	-	20,185
Provision for/(write back of) impairment losses on:		
- intangible asset	7,113,119	-
- property, plant and equipment	(83,962)	(87,951)
- trade and other receivables	966,702	2,133,036
Property, plant and equipment written off	51,166	12,236
Share of (profit)/loss of associates	(835,499)	1,096,342
Unrealised gain on foreign exchange	(3,096,120)	(5,059,031)
Operating profit before changes in working capital	<u>39,212,039</u>	<u>36,942,486</u>
Changes in working capital:-		
Net changes in current assets	(24,080,195)	(17,979,652)
Net changes in current liabilities	2,180,311	8,623,128
Cash flows from operations	<u>17,312,155</u>	<u>27,585,962</u>
Interest paid	(394,533)	(494,087)
Interest received	2,553,585	1,284,171
Taxes paid	(6,628,441)	(7,418,669)
Net cash flows from operating activities	<u><u>12,842,766</u></u>	<u><u>20,957,377</u></u>

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 12 months ended 31 December 2016 - unaudited**

	Current financial year 12 months ended 31 December	
	2016	2015
	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	893,851	1,622,507
Land held for property development	(1,828,350)	(1,436,710)
Net dividend received from available-for-sale investments	690,009	113,161
Placement of deposits with maturity period more than 3 months	(8,920,045)	(376,437)
Proceeds from disposal of:		
- available-for-sale investments	46,505,936	7,998,465
- investment in a subsidiary	31,482,182	-
- non-current assets held for sale	-	5,522,282
- property, plant and equipment	1,395,139	1,908,149
Purchase of:		
- additional shares in subsidiary	-	(90,000)
- available-for-sale investments	(46,826,920)	(18,256,618)
- investment property	(22,600)	-
- property, plant and equipment	(7,351,457)	(8,480,747)
- remaining shares in associate	(29,761,309)	-
- shares in associate	(1)	-
Refund of advances from associates	6,577,239	10,000
Upliftment of deposit pledged	-	137,566
Withdrawal of deposits with maturity period more than 3 months	9,033,271	11,727,704
Net cash flows from investing activities	<u>1,866,945</u>	<u>399,322</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,780,988)	(2,780,988)
Drawdown of term loan	-	3,246,417
Final distribution to non-controlling interests	(4,065)	-
Interest paid	(5,512,483)	(6,458,705)
Repayment of term loan	(19,333,035)	(8,727,943)
Repayment of hire purchase liabilities	(11,502,745)	(10,175,177)
Net cash flows used in financing activities	<u>(39,133,316)</u>	<u>(24,896,396)</u>
Net decrease in cash and cash equivalents	(24,423,605)	(3,539,697)
Effects of exchange rate differences	(978,993)	2,385,244
Cash and cash equivalents at beginning of the year	<u>63,249,267</u>	<u>64,403,720</u>
Cash and cash equivalents at end of the year	<u><u>37,846,669</u></u>	<u><u>63,249,267</u></u>

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 12 months ended 31 December 2016 - unaudited**

	Current financial year	
	12 months ended	
	31 December	
	2016	2015
	RM	RM
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:		
Cash and bank balances	15,784,273	17,042,269
Deposits with licensed banks	34,509,661	55,876,099
Bank overdrafts	(2,421,576)	-
	<u>47,872,358</u>	<u>72,918,368</u>
Less:		
Deposits with maturity period more than 3 months	(10,025,689)	(9,669,101)
	<u>37,846,669</u>	<u>63,249,267</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2015 and the accompanying notes attached to the Interim Financial Statements.

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 2015. 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 2015.

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 2015 except as follows:

On 1 January 2016, the Group adopted the following applicable amended FRSs mandatory for annual financial periods beginning on or after 1 January 2016.

Annual Improvements to FRSs 2012-2014 Cycle

Amendments to FRS 116 and FRS 138 : Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 11 : Accounting for Acquisitions of Interests in Joint Operations

Amendments to FRS 127 : Consolidated and Separate Financial Statements : Equity Method in Separate Financial Statements

Amendments to FRS 101 : Disclosure Initiatives

Amendments to FRS 10, FRS 12 and FRS 128 : Investment Entities : Applying the Consolidation Exception

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

2.2 Malaysian Financial Reporting Standards

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 one year. On 30 June 2012, MASB has given an option to Transitioning Entities to defer the adoption of the MFRS Framework for another year.

A2. Significant Accounting Policies (cont'd.)

2.2 Malaysian Financial Reporting Standards (cont'd.)

In light of the development and the revisions of the project timelines by the IASB, MASB has decided to extend the transitional period for another year, ie. the adoption of the MFRS Framework by all Transitioning Entities will be mandatory with effect from annual periods beginning on or after 1 January 2015.

On 2 September 2014, MASB announced that Transitioning Entities shall require to apply the MFRS Framework for annual period beginning on or after 1 January 2017. However, on 8 September 2015, MASB announced that for all Transitioning Entities, the requirement to apply the MFRS Framework are effective for annual period beginning on or after 1 January 2018.

The Company and its subsidiary, DKLS Development Sdn Bhd, fall within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018.

In presenting its 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.

As at the date of this interim report, the Group has not completed its 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 2016 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 2018.

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 other than the gain on remeasurement to fair value of the existing shares in an associate of RM14.896 million, the impairment loss on intangible asset of RM7.113 million and the gain on disposal of a subsidiary of RM14.195 million and RM6.112 million to the Group and to the Company respectively as disclosed in Note A11 (i) and (ii).

A5. Changes in Estimates

There were no changes in estimation that have had any material effect on the current quarter and the current 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 first and final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2015, which was approved at the Annual General Meeting held on 23 May 2016, was paid on 18 August 2016 to shareholders whose names appear in the Record of Depositors on 29 July 2016.

A8. Profit from operating activities

	Curret Quarter 3 months ended 31 December		Current financial year 12 months ended 31 December	
	2016	2015	2016	2015
	RM	RM	RM	RM
The following items have been included in arriving at profit from operating activities:				
Amortisation of quarry extraction exclusive right	22,313	22,314	89,258	89,258
Bad debts written off	(300)	-	66	13,155
Total depreciation	2,975,573	2,058,457	9,731,893	7,730,718
Depreciation capitalised under construction costs	(474,417)	(1,300,909)	(2,322,702)	(4,653,270)
Depreciation charged to profit from operating activities	2,501,156	757,548	7,409,191	3,077,448
Dividend income from available-for-sale investments	(247,030)	(74,866)	(678,732)	(113,161)
Fair value adjustments of investment properties, net	(4,292,400)	(825,000)	(4,292,400)	(825,000)
Gain on deregistered of a subsidiary	(142,949)	-	(142,949)	-
(Gain)/loss on disposal of :				
- available-for-sale investments, net	(34,806)	(5,417)	(67,201)	(3,950)
- investment in subsidiaries	(14,194,799)	38,613	(14,194,799)	-
- non-current assets held for sale	-	22,745	-	(772,871)
- property, plant and equipment, net	(655,271)	(177,641)	(1,083,737)	(1,179,129)
(Gain)/loss on foreign exchange :				
- realised, net	(658,038)	(322,592)	(187,979)	(484,613)
- unrealised	(3,265,495)	1,666,036	(3,096,120)	(5,059,031)
Gain on remeasurement to fair value of existing shares in associate	(14,895,575)	-	(14,895,575)	-
Investment in subsidiary written off	-	-	-	20,185
Property, plant and equipment written off	1	4,126	51,166	12,236
Provision for/(Write back of) impairment loss on:				
- intangible asset	7,113,119	-	7,113,119	-
- property, plant and equipment	(87,442)	(87,951)	(83,962)	(87,951)
- trade and other receivables, net	966,702	41,650	966,702	2,133,036
Inventories written off	N/A	N/A	N/A	N/A
Gain on derivatives	N/A	N/A	N/A	N/A

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.

Current Quarter 3 months ended 31 December 2016	Investment RM	Construction RM	Manufacturing RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	1,804,709	29,667,606	19,855,725	11,915,215	2,143,406	1,979,315	67,365,976
Inter-segment sales	140,012	2,413,677	41,802	-	-	234,860	2,830,351
External sales	1,664,697	27,253,929	19,813,923	11,915,215	2,143,406	1,744,455	64,535,625
Results							
Segment results	27,977,283	5,752,603	2,808,080	2,592,709	1,434,799	73,435	40,638,909
Interest expense	(908,336)	(398,799)	(13,143)	(335,887)	(22,307)	(429)	(1,678,901)
Group's share of results of associates	42,868	-	(1)	-	-	-	42,867
Profit before tax	27,111,815	5,353,804	2,794,936	2,256,822	1,412,492	73,006	39,002,875
Income tax expense	(677,661)	(363,914)	(686,523)	(725,426)	(1,237)	(16,490)	(2,471,251)
Profit for the period							<u>36,531,624</u>
Total Assets							
Segment assets	3,252,183	2,615,509	3,094,508	3,830,438	67,103,661	(950,334)	78,945,965
Interests in associates	(64,251,859)	-	-	-	-	-	(64,251,859)
Unallocated corporate assets							<u>1,382,276</u>
Total assets							<u>16,076,382</u>

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Current Quarter 3 months ended 31 December 2015	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	3,282,315	34,548,831	22,590,746	8,774,101	954,123	70,150,116
Inter-segment sales	1,583,136	7,185,211	91,969	-	519,180	9,379,496
External sales	1,699,179	27,363,620	22,498,777	8,774,101	434,943	60,770,620
Results						
Segment results	1,224,953	1,667,132	4,855,234	2,735,213	379,023	10,861,555
Interest expense	(1,153,362)	(792,816)	(43,167)	(895,928)	(598)	(2,885,871)
Group's share of result of associates	(1,053,911)	-	-	-	-	(1,053,911)
(Loss)/Profit before tax	(982,320)	874,316	4,812,067	1,839,285	378,425	6,921,773
Income tax expense	703,333	(383,237)	(1,123,233)	44,582	622	(757,933)
Profit for the period						<u>6,163,840</u>
Total Assets						
Segment assets	(1,704,852)	7,391,658	(1,865,480)	(6,457,903)	544,448	(2,092,129)
Interests in associates	(4,668,381)	-	-	-	-	(4,668,381)
Unallocated corporate assets						15,397,786
Total assets						<u>8,637,276</u>

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)	Property development					Total RM
	Investment RM	Construction RM	Manufacturing RM	Utilities RM	Others RM	
Cumulative Quarter 12 months ended 31 December 2016						
Revenue						
Total revenue	13,092,840	139,782,314	65,046,977	2,143,406	10,264,218	269,432,164
Inter-segment sales	6,461,101	15,622,803	193,868	-	981,177	23,258,949
External sales	6,631,739	124,159,511	64,853,109	2,143,406	9,283,041	246,173,215
Results						
Segment results	30,688,398	9,595,214	11,618,863	1,434,799	608,951	62,848,725
Interest expense	(4,193,297)	(753,339)	(98,028)	(22,307)	(1,710)	(6,631,891)
Group's share of result of associates	835,500	-	(1)	-	-	835,499
Profit before tax	27,330,601	8,841,875	11,520,834	1,412,492	607,241	57,052,333
Income tax expense	(581,147)	(1,351,777)	(2,800,497)	(1,237)	(76,787)	(6,832,924)
Profit for the year						<u>50,219,409</u>
Total Assets						
Segment assets	154,305,164	141,475,025	68,472,342	67,103,661	6,645,111	632,117,956
Unallocated corporate assets						<u>20,097,751</u>
Total assets						<u>652,215,707</u>

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Cumulative Quarter 12 months ended 31 December 2015	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	16,984,026	124,858,523	69,513,857	60,812,220	14,323,384	286,492,010
Inter-segment sales	11,750,142	43,232,468	894,944	-	8,430,227	64,307,781
External sales	5,233,884	81,626,055	68,618,913	60,812,220	5,893,157	222,184,229
Results						
Segment results	7,797,296	6,422,513	13,165,474	9,767,664	(282,786)	36,870,161
Interest expense	(4,601,019)	(932,032)	(136,680)	(1,921,841)	(8,228)	(7,599,800)
Group's share of result of associates	(1,096,342)	-	-	-	-	(1,096,342)
Profit/(loss) before tax	2,099,935	5,490,481	13,028,794	7,845,823	(291,014)	28,174,019
Income tax expense	856,900	(855,649)	(3,224,861)	(1,682,618)	979	(4,905,249)
Profit for the year						<u>23,268,770</u>
Total Assets						
Segment assets	163,353,874	121,158,664	75,503,739	188,294,095	5,872,096	554,182,468
Interests in associates	73,570,955					73,570,955
Unallocated corporate assets						<u>19,837,873</u>
Total assets						<u>647,591,296</u>

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

- (i) On 1 November 2016, the Company acquired the remaining 550,000 ordinary shares in DKLS Clearwater Sdn Bhd ("DCSB"), representing 55% equity interest in DCSB, for a total cash consideration of USD6,875,440 (equivalent to approximately RM28,849,346).

Upon completion of the acquisition, DSSB became a wholly-owned subsidiary of the Company.

- (ii) On 1 November 2016, the Company disposed of its entire investment in DKLS Energy Sdn Bhd ("DESB"), comprising 2,550,000 ordinary shares and 25,500,000 preference shares, for a total cash consideration of USD9,135,000 (equivalent to approximately RM38,330,460) ("Disposal").

Upon completion of the Disposal, DESB ceased to be a subsidiary of the Company. The Disposal has resulted in a gain on disposal of RM14,194,799 and RM6,112,248 to the Group and to the Company respectively.

- (iii) On 7 December 2016, DKLS Aust Trust ("Aust Trust"), a 80.2% owned subsidiary has been deregistered from the register of the Australian Securities & Investments Commission ("ACIS") in Australia. The final distribution received by the Company amounted to RM13,867. Gain arising from foreign currency translation reserve transferred to the income statement upon deregistration amounted to RM142,949 at Group's level.

A12. Changes in Contingent Liabilities and Assets

- (a) Contingent Liabilities

	As at 31 December	
	2016	2015
	RM	RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	167,826,577	194,952,244
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	840,185	1,559,310
Corporate guarantee given to third parties for payment of balance purchase price in connection with land acquisition by one of the subsidiaries	5,040,000	5,040,000
	<u>173,706,762</u>	<u>201,551,554</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 2015.

DKLS INDUSTRIES BERHAD
(Company No. 369472-P)
(Incorporated in Malaysia)

A13. Related Party Disclosures

Significant related party transactions are as follows:

	Current Quarter 3 months ended 31 December		Current financial year 12 months ended 31 December	
	2016 RM	2015 RM	2016 RM	2015 RM
Architect fees accrued/paid to				
Arkitek Ding Poi Kooi	-	-	(227,670)	(51,940)
Commission paid to				
Ding Poi Kooi	-	-	-	(1,000)
Hire of motor vehicles/machinery from				
Savan-DKLS Water Supply Co Ltd	4,500	33,093	64,613	160,725
Progress billings to:				
Ding Ju Shuen	-	104,460	-	487,480
Ding Zhe Lin	-	104,460	-	487,480
Purchase of consumables				
from DKLS Service Station	(4,598)	(20,774)	(39,882)	(81,872)
Purchase of property, plant and				
equipment from:				
Ding Poi Bor	-	(2,070,000)	-	(2,070,000)
Ding Soo King	-	(1)	-	(1)
Ipoh Tower Sdn Bhd	-	(1,850)	-	(1,850)
Isyoda (M) Sdn Bhd	(339,200)	84,800	(339,200)	(84,800)
Rental of building paid to:				
Ding Poi Bor	(15,000)	(15,000)	(60,000)	(60,000)
Ipoh Tower Sdn Bhd	(13,200)	(13,200)	(52,800)	(52,800)
Rental of car park paid to				
Aplikasi Budimas Sdn Bhd	(7,200)	(10,550)	(28,410)	(15,850)
Sale of materials to Savan-DKLS				
Water Supply Co Ltd	5,195	29,808	164,446	3,548,387
Service charge by Ipoh Tower				
Sdn Bhd on rented premises	-	-	-	(1,221)
Supply of electricity by				
Ipoh Tower Sdn Bhd	(15,202)	(19,589)	(79,290)	(83,174)
Supply of labour to:				
DKLS Clearwater Sdn Bhd	-	-	-	128,134
Savan-DKLS Water Supply Co Ltd	-	675	-	1,037

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 employment.

A14. Capital Commitments

As at
31 December 2016
RM

Approved and contracted for:
Property, plant and equipment

8,057,616

A15. Operating lease commitments - as lessor

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

As at
31 December 2016
RM

Not later than 1 year
Later than 1 year but not later than 5 years

5,399,378

1,567,023

6,966,401

B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

(a) Review of Performance for 4Q16 vs 4Q15

The Group recorded revenue of RM64.536 million for the fourth quarter ended 31 December 2016 (4Q16), an increase of RM3.765 million (or 6.2%), as compared to the revenue of RM60.771 million for the corresponding quarter ended 31 December 2015 (4Q15). The pre-tax profit for 4Q16 of RM39.003 million has increased by RM32.081 million (or 463.46%) as compared to the pre-tax profit of RM6.922 million for 4Q15. The higher revenue and pre-tax profit of the Group can be analysed as below:-

4Q16 vs 4Q15

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	(34)	28,094
Construction	(110)	4,479
Manufacturing	(2,685)	(2,017)
Property development	3,141	418
Utilities	2,143	1,412
Others	1,310	(305)
	<u>3,765</u>	<u>32,081</u>

The exceptional higher pre-tax profit for the quarter was mainly due to the substantial gain recognised on remeasurement to fair value of the existing shares in an associate of RM14.896 million arising from the acquisition of the remaining shares in the associate (4Q15 : RMNil), gain on disposal of investment in a subsidiary of RM14.195 million (4Q15 : loss on disposal of RM0.039 million), fair value adjustments on investment properties of RM4.292 million (4Q15 : RM0.825 million), interest income arising from amortisation of long term receivables of RM1.833 million (4Q15 : RM0.695 million) and unrealised gain on foreign exchange of RM3.265 million (4Q15 : unrealised loss on foreign exchange of RM1.666 million). These gains were partially off-set by the impairment loss on intangible asset of RM7.113 million (4Q15 : RMNil) provided in the current quarter. If these exceptional gains/loss were excluded from the pre-tax profit, the Group would have achieved an increase of pre-tax profit of RM0.528 million as a result of improved revenue.

B1. Operating Segment Review (cont'd.)

(b) Review of Performance to date for FY16 vs FY15

The Group recorded revenue of RM246.173 million for the current financial year ended 31 December 2016 (FY16), representing an increase of RM23.989 million (or 10.8%), as compared to the revenue of RM222.184 million for the corresponding financial year ended 31 December 2015 (FY15). The pre-tax profit for FY16 of RM57.052 million has increased by RM28.878 million (or 102.5%) as compared to the pre-tax profit of RM28.174 million for FY15. The higher revenue and pre-tax profit of the Group can be analysed as below:-

FY16 vs FY15

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	1,398	25,231
Construction	42,534	3,351
Manufacturing	(3,766)	(1,507)
Property development	(21,710)	(507)
Utilities	2,143	1,412
Others	3,390	898
	<u>23,989</u>	<u>28,878</u>

Investment

The investment segment registered an exceptional higher pre-tax profit of RM27.331 million as compared to the pre-tax profit of RM2.100 million in the corresponding financial year. This was mainly due to the substantial gain recognised on remeasurement to fair value of existing shares in an associate of RM14.896 million arising from the acquisition of the remaining shares in the associate and the gain on disposal of investment in a subsidiary of RM14.195 million in FY16. Also included in FY16, were fair value adjustment on investment properties of RM4.267 million (FY15 : RM0.690 million), unrealised gain on foreign exchange of RM0.632 million (FY15 : RM3.114) and share of profit of associated companies of RM0.835 million (FY15 : share of loss in associated companies of RM1.096 million). These gains were partially off-set by the impairment loss on intangible asset of RM7.113 million (FY15 : RMNil) provided in FY16. If these exceptional gains/loss were excluded from the pre-tax profit, the investment segment would have registered a lower pre-tax loss of RM0.381 million as compared to the pre-tax loss of RM0.650 million in the corresponding financial year.

External revenue of the investment segment is derived mainly from investment properties. The investment segment continues to record a higher revenue for the current financial year as a result of revenue generated from 100% occupied floor space of its commercial building located in Bangsar South which has been recognised since 4Q15.

Construction

For the current financial year under review, the construction segment recorded a higher pre-tax profit of RM8.842 million (FY15 : RM5.490 million) on the back of higher turnover of RM124.160 million (FY15: RM81.626 million).

The current financial year's result was also affected by the interest income arising from amortisation of long term receivables of RM1.833 million (FY15 : RM0.695 million). If this was excluded, the construction segment have recorded a consistent overall profit margin.

B1. Operating Segment Review (cont'd.)

(b) Review of Performance to date for FY16 vs FY15 (cont'd.)

Manufacturing

For the current financial year under review, the manufacturing segment recorded a lower pre-tax profit of RM11.521 million (FY15 : RM13.029 million) on the back of lower revenue of RM64.853 million (FY15 : RM68.619 million). The price fluctuation in a petroleum products in 4Q16 has affected the overall profit margin as bitumen was the major raw material component for its premix products. Also included in the current financial year's result was a gain on disposal of property, plant and equipment amounting to RM0.349 million (FY15 : RM0.618 million).

Property Development

The property development segment recorded a lower pre-tax profit of RM7.339 million (FY15 : RM7.846 million) on the back of a lower turnover of RM39.102 million (FY14 : RM60.812 million) for the current financial year. The overall profit margin has improved slightly mainly attributed to the ongoing development from the Group's own land bank which generally yielded higher margin as compared to development under joint venture arrangement.

Utilities

The revenue of utilities segment is derived from supply of treated water and related services to consumers.

The result of this segment was contributed by a company recently became a subsidiary of the Company in 4Q16 which in the corresponding financial year, was recorded as share of profit from the associate.

Others

The revenue of others segment is mainly derived from trading of construction materials.

This segment showed a pre-tax profit of RM0.607 million instead of pre-tax loss of RM0.291 million in the corresponding financial year. The pre-loss recorded in corresponding financial year was affected by the impairment loss on trade receivables of RM2.122 million.

This segment registered a lower profit margin for the current financial year mainly due to the higher local sales recorded this year as compared to the higher overseas sales achieved in FY15 which generally yielded higher margin as compared to local sales.

B2. Variance of Results Against Preceding Quarter

The revenue for 4Q16 of RM64.536 has decreased by 11.5% as compared to the revenue of RM72.884 million registered in the immediate preceding quarter (3Q16). Despite a lower revenue, the Group recorded a higher pre-tax profit of RM39.003 million for 4Q16 as compared to the pre-tax profit of RM10.612 million for 3Q16. The exceptional increase in the pre-tax profit on a quarter to quarter was mainly due to the substantial gain on remeasurement to fair value of existing shares in associate of RM14.896 million arisen from acquisition of remaining shares in associate, a gain on disposal of investment in a subsidiary of RM14.195 million, fair value adjustment on investment properties of RM4.292 million and unrealised gain on foreign exchange of RM3.265 million (3Q16 : loss on foreign exchange of RM0.169 million) recognised in 4Q16. These impact were partially off-set by the provision of impairment loss on intangible asset of RM7.113 million in 4Q16 and lower share of profit in associate companies of RM0.043 million versus RM1.834 million in 3Q16.

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 and generally slow down in property market, the directors expect the profitability for the Group for year 2017 to be modest.

B4. Income tax expense

	Current Quarter 3 months ended 31 December		Current financial year 12 months ended 31 December	
	2016	2015	2016	2015
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	1,626,452	1,948,071	6,265,407	5,806,447
Over provision in prior years	(1,002)	-	(29,375)	(31,513)
	<u>1,625,450</u>	<u>1,948,071</u>	<u>6,236,032</u>	<u>5,774,934</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	845,888	35,258	593,398	330,062
Relating to reduction in Malaysian deferred tax rate	-	(930,654)	-	(920,849)
(Over)/Under provision in prior years	(87)	(294,742)	3,494	(278,898)
	<u>845,801</u>	<u>(1,190,138)</u>	<u>596,892</u>	<u>(869,685)</u>
Income tax expense	<u>2,471,251</u>	<u>757,933</u>	<u>6,832,924</u>	<u>4,905,249</u>

Current income tax is calculated at the Malaysian corporate statutory tax rate of 24% of the estimated assessable profit for the year.

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

B4. Income tax expense (cont'd.)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Current Quarter 3 months ended 31 December		Current financial year 12 months ended 31 December	
	2016	2015	2016	2015
	RM	RM	RM	RM
Profit before tax	39,002,875	6,921,773	57,052,333	28,174,019
Taxation at applicable tax rates	9,360,690	1,730,443	13,692,560	7,043,505
Income not subject to tax	(9,605,863)	(671,197)	(10,065,221)	(5,688,796)
Expenses not deductible for tax purposes	2,646,983	976,988	3,484,690	4,496,479
Effect of changes in tax rate of deferred tax	-	(892,549)	-	(920,849)
Difference in tax rate	(72,983)	(15,077)	(72,983)	-
Deferred tax assets not recognised	2,307	(113,302)	7,807	247,952
Deferred tax on fair value adjustment	216,950	41,250	216,950	41,250
Utilisation of previously unrecognised deferred tax assets	(75,744)	(3,881)	(404,998)	(3,881)
Over provision of current tax in prior years	(1,002)	-	(29,375)	(31,513)
(Over)/Under provision of deferred tax in prior years	(87)	(294,742)	3,494	(278,898)
Income tax expense	2,471,251	757,933	6,832,924	4,905,249

B5. 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.

B6. Borrowing and Debt Securities

	As at 31 December	
	2016	2015
	RM	RM
Short term borrowings		
Hire purchase liabilities (secured)	5,126,246	10,528,513
Term loans (secured)	11,183,933	5,356,004
Bank overdrafts (secured) (denominated in Lao Kip)	2,293,966	-
Bank overdrafts (unsecured)	127,610	-
Revolving credit (secured)	3,000,000	3,000,000
Revolving credit (unsecured)	1,800,000	1,800,000
Bankers' acceptances (unsecured)	1,921,328	6,443,510
	<u>25,453,083</u>	<u>27,128,027</u>
Long term borrowings		
Hire purchase liabilities (secured)	3,465,962	3,184,930
Term loans and bridging loan (secured)	75,070,034	100,230,998
Non-cumulative redeemable preference shares (unsecured)	-	15,329,528
	<u>78,535,996</u>	<u>118,745,456</u>
Total borrowings	<u>103,989,079</u>	<u>145,873,483</u>

Loans and borrowings at the reporting date are denominated in the following currencies:

	As at 31 December	
	2016	2015
	RM	RM
Ringgit Malaysia	101,695,113	145,873,483
Lao Kip	2,293,966	-
	<u>103,989,079</u>	<u>145,873,483</u>

B7. Changes in Material Litigation

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

B8. 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 (2015 : 3.00 sen) per share.
- (b) (i) Amount per share : 3.00 sen per share.
(ii) Previous financial year : 3.00 sen per share.
(iii) Total dividend for the current financial year : 3.00 sen (2015 : 3.00 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.

B9. 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:

	Current Quarter 3 months ended 31 December		Current financial year 12 months ended 31 December	
	2016	2015	2016	2015
	RM	RM	RM	RM
Profit attributable to owners of the Company	36,427,428	6,880,583	50,893,235	23,889,318
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	39.30	7.42	54.90	25.77

(b) Diluted

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

B10. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 was unqualified.

B11. 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 RM46.3 million on behalf of the 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.

B12. Breakdown of Realised and Unrealised Profits/(Losses)

	Current financial year 12 months ended 31 December	
	2016	2015
	RM	RM
Total retained profits of the Group		
- Realised profits	327,358,401	300,277,549
- Unrealised profits/(losses)	2,076,954	(10,798,718)
	<u>329,435,355</u>	<u>289,478,831</u>
Total share of accumulated losses from associates		
- Realised losses	(7,600,000)	(16,006,876)
	<u>(7,600,000)</u>	<u>(16,006,876)</u>
Less: Consolidated adjustments	(30,941,710)	(30,690,557)
	<u>(30,941,710)</u>	<u>(30,690,557)</u>
Retained profits as per statement of financial position	<u>290,893,645</u>	<u>242,781,398</u>

Dated : 27 February 2017