

**Condensed Consolidated Statement of Comprehensive Income**  
**For the quarter and 12 months ended 31 December 2017 - unaudited**

	Note	Individual Quarter 3 months ended 31 December		Financial Year 12 months ended 31 December	
		2017	2016	2017	2016
		RM	RM	RM	RM
Revenue		74,849,117	64,535,625	232,354,573	246,173,215
Interest income		1,081,215	2,270,225	2,324,115	3,490,334
Other income		3,182,595	38,637,392	10,064,794	43,662,444
Operating expenses		(61,515,763)	(47,291,904)	(184,552,866)	(193,607,690)
Changes in work-in-progress and finished goods		(163,112)	(1,851,986)	982,380	(567,543)
Employee benefit expenses		(3,385,899)	(3,401,206)	(15,948,811)	(13,516,420)
Administrative expenses		(7,187,476)	(12,259,237)	(25,130,153)	(22,785,615)
<b>Profit from operating activities</b>	<b>A8</b>	<b>6,860,677</b>	<b>40,638,909</b>	<b>20,094,032</b>	<b>62,848,725</b>
Interest expense		(4,484,524)	(1,678,901)	(7,926,715)	(6,631,891)
Share of profit of associates, net of tax		-	42,867	-	835,499
<b>Profit before tax</b>		<b>2,376,153</b>	<b>39,002,875</b>	<b>12,167,317</b>	<b>57,052,333</b>
Income tax expense		(3,741,286)	(2,471,251)	(6,006,433)	(6,832,924)
<b>Profit for the year, net of tax</b>		<b>(1,365,133)</b>	<b>36,531,624</b>	<b>6,160,884</b>	<b>50,219,409</b>
<b>Other comprehensive income, net of tax</b>					
<b>Items that will be reclassified to profit or loss in the future</b>					
Foreign currency translation		(1,794,156)	(8,236,604)	(4,112,874)	(11,770,994)
Fair value changes on available-for-sale investments		(2,981)	(44,201)	22,859	(28,133)
<b>Other comprehensive income for the year, net of tax</b>		<b>(1,797,137)</b>	<b>(8,280,805)</b>	<b>(4,090,015)</b>	<b>(11,799,127)</b>
<b>Total comprehensive income for the year</b>		<b>(3,162,270)</b>	<b>28,250,819</b>	<b>2,070,869</b>	<b>38,420,282</b>
<b>Profit attributable to:</b>					
Owners of the Company		(1,508,058)	36,427,428	5,336,363	50,893,235
Non-controlling interests		142,925	104,196	824,521	(673,826)
<b>Profit for the year</b>		<b>(1,365,133)</b>	<b>36,531,624</b>	<b>6,160,884</b>	<b>50,219,409</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		(2,985,429)	27,638,641	2,261,729	40,071,599
Non-controlling interests		(176,841)	612,178	(190,860)	(1,651,317)
<b>Total comprehensive income for the year</b>		<b>(3,162,270)</b>	<b>28,250,819</b>	<b>2,070,869</b>	<b>38,420,282</b>
Basic/Diluted, earnings per ordinary share (sen)		(1.63)	39.30	5.76	54.90

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2016 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 2017 - unaudited**

	31 December 2017 RM	31 December 2016 RM
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	138,764,009	140,582,530
Land held for property development	122,502,900	125,984,915
Investment properties	123,210,000	123,965,000
Available-for-sale investments	60,390	40,952
Quarry extraction exclusive right	-	267,776
Trade and other receivables	5,783,414	9,134,949
Deferred tax assets	4,489,638	1,931,427
<b>Total non-current assets</b>	<u>394,810,351</u>	<u>401,907,549</u>
<b>Current Assets</b>		
Property development costs	12,721,238	19,483,040
Inventories	68,284,231	59,579,461
Trade and other receivables	99,289,590	83,450,055
Other current assets	2,853,501	19,376,296
Available-for-sale investments	24,913,627	16,263,632
Tax recoverable	147,499	1,861,740
Cash and bank balances	45,320,626	50,293,934
<b>Total current assets</b>	<u>253,530,312</u>	<u>250,308,158</u>
<b>TOTAL ASSETS</b>	<u>648,340,663</u>	<u>652,215,707</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	293,361,042	290,893,645
Reserves	(544,799)	2,529,835
<b>Total equity attributable to owners of the Company</b>	<u>394,273,439</u>	<u>394,880,676</u>
<b>Non-controlling interests</b>	<u>8,353,613</u>	<u>9,714,462</u>
<b>Total equity</b>	<u>402,627,052</u>	<u>404,595,138</u>
<b>Non-Current Liabilities</b>		
Loans and borrowings	64,432,208	78,535,996
Trade and other payables	60,516,876	7,246,508
Deferred tax liabilities	3,056,258	2,457,340
<b>Total non-current liabilities</b>	<u>128,005,342</u>	<u>88,239,844</u>
<b>Current Liabilities</b>		
Loans and borrowings	20,046,039	25,453,083
Trade and other payables	57,262,980	101,393,256
Other current liabilities	36,796,398	31,675,551
Tax payable	3,602,852	858,835
	<u>117,708,269</u>	<u>159,380,725</u>
<b>Total liabilities</b>	<u>245,713,611</u>	<u>247,620,569</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>648,340,663</u>	<u>652,215,707</u>
Net assets per share attributable to owners of the Company (RM)	<u>4.25</u>	<u>4.26</u>

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2016 and the accompanying notes attached to the Interim Financial Statements.*

**Condensed Consolidated Statement of Changes in Equity  
For 12 months ended 31 December 2017 - unaudited**

	Attributable to owners of the Company		Attributable to owners of the Company		Distributable		Non-controlling interests RM	Total equity RM
	Share capital RM	Share premium RM	Non distributable Foreign currency translation reserve RM	Asset revaluation reserve RM	Fair value adjustment reserve RM	Retained profits RM		
<b>12 months ended 31 December 2017</b>								
<b>At 1 January 2017</b>	92,699,600	8,757,596	1,364,574	1,157,522	7,739	290,893,645	9,714,462	404,595,138
Total comprehensive income for the year	-	-	(3,097,493)	-	22,859	5,336,363	(190,860)	2,070,869
Transactions with owners:								
Changes in equity interest arising from acquisition of remaining shares in subsidiary	-	-	-	-	-	(87,978)	87,978	-
Dividend to non-controlling interest	-	-	-	-	-	-	(1,257,967)	(1,257,967)
Dividend on ordinary shares	-	-	-	-	-	(2,780,988)	-	(2,780,988)
<b>At 31 December 2017</b>	<b>92,699,600</b>	<b>8,757,596</b>	<b>(1,732,919)</b>	<b>1,157,522</b>	<b>30,598</b>	<b>293,361,042</b>	<b>8,353,613</b>	<b>402,627,052</b>
<b>12 months ended 31 December 2016</b>								
<b>At 1 January 2016</b>	92,699,600	8,757,596	12,161,042	1,157,522	32,907	242,781,398	11,328,046	368,918,111
Total comprehensive income for the year	-	-	(10,796,468)	-	(25,168)	50,893,235	(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)
<b>At 31 December 2016</b>	<b>92,699,600</b>	<b>8,757,596</b>	<b>1,364,574</b>	<b>1,157,522</b>	<b>7,739</b>	<b>290,893,645</b>	<b>9,714,462</b>	<b>404,595,138</b>

**DKLS INDUSTRIES BERHAD (369472 - P)**

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows  
For the 12 months ended 31 December 2017 - unaudited**

	Financial year	
	12 months ended	
	31 December	
	2017	2016
	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	12,167,317	57,052,333
Adjustments for :-		
Amortisation of quarry extraction exclusive right	89,258	89,258
Bad debts written off	13,688	66
Depreciation	12,619,769	9,731,893
Dividend income from available-for-sale investments	(980,907)	(678,732)
Fair value adjustments of investment properties, net	58,337	(4,292,400)
Gain on deregistration of a subsidiary	-	(142,949)
Gain on disposal of:		
- available-for-sale investments	(64,721)	(67,201)
- investment in a subsidiary	(16,535)	(14,194,799)
- investment properties	(470,448)	-
- property, plant and equipment, net	(730,830)	(1,083,737)
Gain on remeasurement to fair value of existing shares in associate	-	(14,895,575)
Interest expense	8,153,889	7,068,810
Interest income	(2,324,115)	(3,490,334)
Inventory written off	223,403	-
Allowance for/(write back of) impairment losses on:		
- intangible asset	2	7,113,119
- property, plant and equipment	(110,550)	(83,962)
- trade and other receivables, net	(1,162,880)	966,702
Property, plant and equipment written off	340,434	51,166
Quarry extraction exclusive right written off	178,518	-
Share of profit of associates	-	(835,499)
Unrealised loss/(gain) on foreign exchange	3,989,568	(3,096,120)
Operating profit before changes in working capital	<u>31,973,197</u>	<u>39,212,039</u>
Changes in working capital:-		
Net changes in current assets	7,150,681	(24,080,195)
Net changes in current liabilities	<u>10,456,040</u>	<u>2,180,311</u>
Cash flows from operations	49,579,918	17,312,155
Interest paid	(504,477)	(394,533)
Interest received	1,268,214	2,553,585
Taxes paid	<u>(3,443,801)</u>	<u>(6,628,441)</u>
Net cash flows from operating activities	<u>46,899,854</u>	<u>12,842,766</u>

**DKLS INDUSTRIES BERHAD (369472 - P)**

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)  
For the 12 months ended 31 December 2017 - unaudited**

	<b>Financial year 12 months ended 31 December</b>	
	<b>2017 RM</b>	<b>2016 RM</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	908,940	893,851
Land held for property development	(3,836,686)	(1,828,350)
Net dividend received from available-for-sale investments	980,907	690,009
Placement of deposits with maturity period more than 3 months	(1,349,941)	(8,920,045)
Proceeds from disposal of:		
- available-for-sale investments	97,619,741	46,505,936
- investment in a subsidiary	10	31,482,182
- investment properties	1,173,211	-
- property, plant and equipment	1,386,840	1,395,139
Purchase of:		
- additional shares in subsidiary	(6)	-
- available-for-sale investments	(106,201,594)	(46,826,920)
- investment properties	(6,100)	(22,600)
- property, plant and equipment	(15,442,841)	(7,351,457)
- remaining shares in associate	-	(29,761,309)
- shares in associate	-	(1)
Repayment from associates	-	6,577,239
Withdrawal of deposits with maturity period more than 3 months	1,170,924	9,033,271
Net cash flows (used in)/from investing activities	<u>(23,596,595)</u>	<u>1,866,945</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(2,780,988)	(2,780,988)
Dividend paid to non-controlling interests	(611,564)	-
Final distribution to non-controlling interests	-	(4,065)
Interest paid	(4,281,865)	(5,512,483)
Repayment of term loan	(18,233,933)	(19,333,035)
Repayment of hire purchase liabilities	(5,953,730)	(11,502,745)
Net cash flows used in financing activities	<u>(31,862,080)</u>	<u>(39,133,316)</u>
<b>Net decrease in cash and cash equivalents</b>	(8,558,821)	(24,423,605)
<b>Effects of exchange rate differences</b>	1,990,847	(978,993)
<b>Cash and cash equivalents at beginning of the year</b>	37,846,669	63,249,267
<b>Cash and cash equivalents at end of the year</b>	<u>31,278,695</u>	<u>37,846,669</u>

**DKLS INDUSTRIES BERHAD (369472 - P)**

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)  
For the 12 months ended 31 December 2017 - unaudited**

	<b>Financial year 12 months ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:		
Cash and bank balances	15,073,745	15,784,273
Deposits with licensed banks	30,246,881	34,509,661
Bank overdrafts	<u>(4,862,355)</u>	<u>(2,421,576)</u>
	40,458,271	47,872,358
Less:		
Deposits with maturity period more than 3 months	<u>(9,179,576)</u>	<u>(10,025,689)</u>
	<u><u>31,278,695</u></u>	<u><u>37,846,669</u></u>

*The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2016 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 2016. 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 2016.

**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 2016 except as follows:

On 1 January 2017, the Group adopted the following applicable amended FRSs mandatory for annual financial periods beginning on or after 1 January 2017.

FRS 107 : Disclosures Initiatives (Amendments to FRS 107)

FRS 112 : Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)

Annual Improvements to FRSs 2014 - 2016 Cycle (Amendments to FRS 12 : Disclosure of Interests in Other Entities

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.

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.

**A2. Significant Accounting Policies (cont'd.)**

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

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 2017 could be different if prepared under the MFRS. The assessment of the financial effects based on currently available information will be made available when the Group issue its Annual Report 2017.

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.

**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 2016, which was approved at the Annual General Meeting held on 26 May 2017, was paid on 18 August 2017 to shareholders whose names appear in the Record of Depositors on 31 July 2017.



**A8. Profit from operating activities**

	Individual Quarter		Financial year	
	3 months ended		12 months ended	
	31 December		31 December	
	2017	2016	2017	2016
	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	22,313	89,258	89,258
Bad debts written off/(recovered)	30,175	(300)	13,688	66
Total depreciation	3,353,906	2,975,573	12,619,769	9,731,893
Depreciation capitalised under construction costs	(387,914)	(474,417)	(1,658,463)	(2,322,702)
Depreciation charged to profit from operating activities	2,965,992	2,501,156	10,961,306	7,409,191
Dividend income from available-for-sale investments	(301,087)	(247,030)	(980,907)	(678,732)
Fair value adjustments of investment properties, net	58,337	(4,292,400)	58,337	(4,292,400)
Gain on deregistered of a subsidiary	-	(142,949)	-	(142,949)
Gain on disposal of :				
- available-for-sale investments, net	(12,876)	(34,806)	(64,721)	(67,201)
- investment in a subsidiary	-	(14,194,799)	(16,535)	(14,194,799)
- investment properties	(231,526)	-	(470,448)	-
- property, plant and equipment, net	(206,805)	(655,271)	(730,830)	(1,083,737)
Loss/(Gain) on foreign exchange :				
- realised, net	234,126	(658,038)	352,530	(187,979)
- unrealised	930,944	(3,265,495)	3,989,568	(3,096,120)
Gain on remeasurement to fair value of existing shares in associate	-	(14,895,575)	-	(14,895,575)
Property, plant and equipment written off	8,136	1	340,434	51,166
Provision for/(Write back of) impairment loss on:				
- intangible asset	2	7,113,119	2	7,113,119
- property, plant and equipment	(110,550)	(87,442)	(110,550)	(83,962)
- trade and other receivables, net	(1,238,793)	966,702	(1,162,880)	966,702
Quarry extraction exclusive rights written off	178,518	-	178,518	-
Inventories written off	-	-	223,403	-
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.

Individual Quarter 3 months ended 31 December 2017	Investment RM	Construction RM	Manufacturing RM	Property development RM	Utilities RM	Others RM	Total RM
<b>Revenue</b>							
Total revenue	7,539,421	48,824,149	17,258,468	7,201,038	3,112,871	644,482	84,580,429
Inter-segment sales	6,133,624	3,237,014	104,998	-	292	255,384	9,731,312
External sales	<u>1,405,797</u>	<u>45,587,135</u>	<u>17,153,470</u>	<u>7,201,038</u>	<u>3,112,579</u>	<u>389,098</u>	<u>74,849,117</u>
<b>Results</b>							
Segment results	464,210	1,852,479	2,261,684	1,551,392	755,332	(24,420)	6,860,677
Interest expense	(758,971)	(56,125)	(374,721)	(3,223,822)	(70,519)	(366)	(4,484,524)
(Loss)/Profit before tax	(294,761)	1,796,354	1,886,963	(1,672,430)	684,813	(24,786)	2,376,153
Income tax expense	(40,370)	(2,255,992)	(553,056)	237,650	(797,079)	(332,439)	(3,741,286)
Profit for the period							<u>(1,365,133)</u>
<b>Total Assets</b>							
Segment assets	2,078,100	18,862,559	3,398,468	3,220,221	(847,336)	(1,428,395)	25,283,617
Unallocated corporate assets							(13,199,179)
Total assets							<u>12,084,438</u>
<b>Total Liabilities</b>							
Segment liabilities	(1,055,964)	7,716,825	3,329,494	(564,069)	3,690,967	(124,671)	12,992,582
Unallocated corporate liabilities							3,512,093
Total liabilities							<u>16,504,675</u>

**A9. Segmental reporting (cont'd.)**

**Business Segments (cont'd.)**

<b>Individual Quarter 3 months ended 31 December 2016</b>	<b>Investment RM</b>	<b>Construction RM</b>	<b>Manufacturing RM</b>	<b>Property development RM</b>	<b>Utilities RM</b>	<b>Others RM</b>	<b>Total RM</b>
<b>Revenue</b>							
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
<b>Results</b>							
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 result 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>
<b>Total Assets</b>							
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>
<b>Total Liabilities</b>							
Segment liabilities	(17,046,352)	(1,225,079)	1,126,712	(928,749)	11,374,729	(1,126,046)	(7,824,785)
Unallocated corporate liabilities							<u>(4,387,385)</u>
Total liabilities							<u>(12,212,170)</u>

**A9. Segmental reporting (cont'd.)**

<b>Business Segments (cont'd.)</b>		<b>Investment</b>	<b>Construction</b>	<b>Manufacturing</b>	<b>Property Development</b>	<b>Utilities</b>	<b>Others</b>	<b>Total</b>
<b>Financial Year</b>	<b>12 months ended</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
	<b>31 December 2017</b>							
<b>Revenue</b>								
Total revenue	21,923,902	135,678,276	61,555,909	23,312,436	12,642,087	6,043,164	261,155,774	
Inter-segment sales	15,512,058	10,173,260	831,992	-	1,392	2,282,499	28,801,201	
External sales	6,411,844	125,505,016	60,723,917	23,312,436	12,640,695	3,760,665	232,354,573	
<b>Results</b>								
Segment results	3,270,008	3,952,802	6,110,886	3,684,719	2,587,089	488,528	20,094,032	
Interest expense	(2,984,617)	(279,607)	(454,261)	(4,041,349)	(166,019)	(862)	(7,926,715)	
Profit before tax	285,391	3,673,195	5,656,625	(356,630)	2,421,070	487,666	12,167,317	
Income tax expense	(123,752)	(2,109,372)	(1,706,328)	(265,000)	(1,368,329)	(433,652)	(6,006,433)	
Profit for the year							6,160,884	
<b>Total Assets</b>								
Segment assets	144,751,252	134,519,612	75,343,068	193,352,844	65,035,451	5,727,282	618,729,509	
Unallocated corporate assets							29,611,154	
Total assets							648,340,663	
<b>Total liabilities</b>								
Segment liabilities	59,787,349	78,729,054	11,276,404	74,550,602	14,229,069	482,023	239,054,501	
Unallocated corporate liabilities							6,659,110	
Total liabilities							245,713,611	

**A9. Segmental reporting (cont'd.)**

**Business Segments (cont'd.)**

Financial Year 12 months ended 31 December 2016	Investment RM	Construction RM	Manufacturing RM	Property development RM	Utilities RM	Others RM	Total RM
<b>Revenue</b>							
Total revenue	13,092,840	139,782,314	65,046,977	39,102,409	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	39,102,409	2,143,406	9,283,041	246,173,215
<b>Results</b>							
Segment results	30,688,398	9,595,214	11,618,863	8,902,500	1,434,799	608,951	62,848,725
Interest expense	(4,193,297)	(753,339)	(98,028)	(1,563,210)	(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	7,339,290	1,412,492	607,241	57,052,333
Income tax expense	(581,147)	(1,351,777)	(2,800,497)	(2,021,479)	(1,237)	(76,787)	(6,832,924)
Profit for the year							<u>50,219,409</u>
<b>Total Assets</b>							
Segment assets	154,305,164	141,475,025	68,472,342	194,116,653	67,103,661	6,645,111	632,117,956
Unallocated corporate assets							20,097,751
Total assets							<u>652,215,707</u>
<b>Total liabilities</b>							
Segment liabilities	65,220,450	74,629,265	8,747,673	83,754,954	11,374,729	577,323	244,304,394
Unallocated corporate liabilities							3,316,175
Total liabilities							<u>247,620,569</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**

There are no changes in the composition of the Group for the current financial year except as follows:

- (i) On 5 June 2017, the Company acquired the entire equity interest in DKLS Quarry & Premix (North) Sdn Bhd ("DQPN") comprising one ordinary share for a cash consideration of RM1 ("Acquisition"). Upon completion of the Acquisition, DQPN became a wholly owned subsidiary of the Company.
- (ii) On 28 August 2017, the Company disposed of its entire equity interest in DKLS Lakeview Sdn Bhd ("DLSB") comprising 10 ordinary share for a cash consideration of RM10 ("Disposal") realising a gain of RM16,535 and RM10 to the Group and to the Company respectively. Upon completion of the Disposal, DLSB ceased to be a subsidiary of the Company.
- (iii) On 6 October 2017, the Company acquired the entire equity interest in DKLS Highlands Sdn Bhd ("DHSB") comprising 2 ordinary share for a cash consideration of RM2 ("Acquisition"). Upon completion of the Acquisition, DHSB became a wholly owned subsidiary of the Company.

**A12. Changes in Contingent Liabilities and Assets**

(a) Contingent Liabilities

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	120,024,311	167,826,577
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	1,811,002	840,185
Corporate guarantee given to third parties for payment of balance purchase price in connection with land acquisition by one of the subsidiaries	2,800,000	5,040,000
	124,635,313	173,706,762

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 2016.

**A13. Related Party Disclosures**

Significant related party transactions are as follows:

	Individual Quarter 3 months ended 31 December		Financial year 12 months ended 31 December	
	2017 RM	2016 RM	2017 RM	2016 RM
Architect fees paid to Arkitek Ding Poi Kooi	-	13,660	(498,995)	(227,670)
Hire of motor vehicles/machinery from Savan-DKLS Water Supply Co Ltd	-	4,500	-	64,613
Progress billings to:				
Ding Ju Shuen	139,280	-	208,920	-
Ding Poi Kooi	438,660	-	1,462,200	-
Ding Zhe Lin	139,280	-	208,920	-
Purchase of consumables from DKLS Service Station	(1,397)	(4,598)	(8,326)	(39,882)
Purchase of materials from Total Resilience Sdn Bhd	(8,000)	-	(8,000)	-
Purchase of property, plant and equipment from Isyoda (M) Sdn Bhd	-	(339,200)	-	(339,200)
Rental of building paid to:				
Ding Poi Bor	-	(15,000)	-	(60,000)
Ipoh Tower Sdn Bhd	(5,720)	(13,200)	(45,320)	(52,800)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(4,950)	(7,200)	(22,450)	(28,410)
Sale of materials to:				
Savan-DKLS Water Supply Co Ltd	-	5,195	-	164,446
Total Resilience Sdn Bhd	2,250	-	676,099	-
Supply of electricity by Ipoh Tower Sdn Bhd	(18,932)	(15,202)	(81,219)	(79,290)

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 2017**  
**RM**

Approved and contracted for:  
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 2017**  
**RM**

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

2,481,915

339,652

2,821,567



**B. Additional information required by BMSB's Listing Requirements**

**B1. Operating Segment Review**

**(a) Review of Performance for 4Q17 vs 4Q16**

The Group recorded revenue of RM74.849 million for the fourth quarter ended 31 December 2017 (4Q17), an increase of RM10.313 million (or 16.0%), as compared to the revenue of RM64.536 million for the corresponding quarter ended 31 December 2016 (4Q16). The pre-tax profit for 4Q17 of RM2.376 million has decreased by RM36.627 million (or 93.9%) as compared to the pre-tax profit of RM39.003 million for 4Q16. The higher revenue and lower pre-tax profit of the Group can be analysed as below:-

**4Q17 vs 4Q16**

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	(260)	(27,407)
Construction	18,333	(3,557)
Manufacturing	(2,660)	(908)
Property development	(4,714)	(3,929)
Utilities	969	(728)
Others	(1,355)	(98)
	<u>10,313</u>	<u>(36,627)</u>

The lower pre-tax profit for 4Q17 was mainly due to losses arising from fair value adjustments on investment properties of RM0.057 million (4Q16 : gain of RM4.292 million), reduction of interest income arising from amortisation of long term receivables of RM0.482 million (4Q16 : RM1.833 million), lower unrealised gain on foreign exchange of RM0.712 million (4Q16 : RM3.265 million) and higher interest expense of RM7.927 million (4Q16 : RM6.632 million).

These impact were partially off-set by the impairment loss on intangible asset of RM2 versus RM7.113 million in 4Q16 and reversal of impairment loss on receivables of RM1.239 million versus provision for impairment loss of RM0.967 million in 4Q16.

Furthermore, in 4Q16, there were exceptionally gains recorded such as 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 and gain on disposal of investment in a subsidiary of RM14.195 million.

**B1. Operating Segment Review (cont'd.)**

**(b) Review of Performance to date for FY17 vs FY16**

The Group recorded revenue of RM232.355 million for the current financial year ended 31 December 2017 (FY17), decreased by RM13.818 million (or 5.6%), as compared to the revenue of RM246.173 million for the corresponding financial year ended 31 December 2016 (FY16). The pre-tax profit for FY17 of RM12.167 million has decreased by RM44.885 million (or 78.7%) as compared to the pre-tax profit of RM57.052 million for FY16. The lower revenue and pre-tax profit of the Group can be analysed as below:-

**FY17 vs FY16**

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	(220)	(27,045)
Construction	1,346	(5,169)
Manufacturing	(4,129)	(5,864)
Property development	(15,790)	(7,696)
Utilities	10,497	1,009
Others	(5,522)	(120)
	<u>(13,818)</u>	<u>(44,885)</u>

**Investment**

External revenue of the investment segment is derived mainly from investment properties. The lower revenue in FY17 was due to drop in occupancy rate from 100% to 65% (FY16 : 100%) as a result of the expiry of certain tenancy agreements in the fourth quarter.

The investment segment registered a lower pre-tax profit of RM0.285 million as compared to the pre-tax profit of RM27.331 million in the corresponding financial year. The lower pre-tax profit in FY17 was due to lower revenue achieved, losses on fair value adjustment on investment properties of RM0.057 million (FY16 : gain of RM4.267 million) and unrealised loss on foreign exchange of RM0.973 million (FY16 : unrealised gain of RM0.632 million) besides the exceptional gains of 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, the gain on disposal of investment in a subsidiary of RM14.195 million and share of profit of associated companies of RM0.835 million recorded in FY16.

These impact were partially off-set by the impairment loss on intangible asset of RM2 (FY16 : RM7.113 million) and gain on disposal of investment properties of RM0.470 million (FY16 : RMNil).

If these gains/losses were excluded from the pre-tax profit, the investment segment would have registered a pre-tax profit of RM0.845 million as compared to the pre-tax loss of RM0.381 million in the corresponding financial year due to lower finance costs of RM2.985 million (FY16 : RM4.193 million).

**DKLS INDUSTRIES BERHAD**

**(Company No. 369472-P)**

(Incorporated in Malaysia)

**B1. Operating Segment Review (cont'd.)**

**(b) Review of Performance to date for FY17 vs FY16 (cont'd.)**

**Construction**

Despite a higher revenue achieved, the construction segment has recorded a lower pre-tax profit of RM3.673 million (FY16 : RM8.842 million) for the current financial year under review.

The lower pre-tax profit was mainly due to loss on foreign exchange of RM1.664 million (FY16 : gain on foreign exchange of RM1.611 million), lower interest income arising from amortisation of long term receivables of RM0.784 million (FY16 : RM1.833 million) and tax penalty of RM0.789 million (FY16 : RMNil). If these were excluded, the construction segment have recorded a consistent overall profit margin on a lower revenue.

**Manufacturing**

For the current financial year under review, the manufacturing segment recorded a lower pre-tax profit of RM5.657 million (FY16 : RM11.521 million) on the back of lower revenue of RM60.724 million (FY16 : RM64.853 million).

The manufacturing segment has recorded a lower overall margin for the current financial year as compared to FY16 due to fluctuation in petroleum products price as bitumen was the major raw material component for its premix products. The impact from higher bitumen price could not be fully passed on to the customers due to the competitive environment.

Also included in the current financial year's result was property, plant and equipment and inventories written off amounting to RM0.324 million (FY16 : RMNil) and RM0.223 million (FY16 : RMNil) respectively.

**Property Development**

The property development segment continue to record a lower turnover of RM23.312 million (FY16 : RM39.102 million) for the current financial year as the property remain soft throughout FY 2017.

The pre-tax loss of RM0.357 million (FY16 : pre-tax profit of RM7.339 million) recorded for the current financial year was mainly due to interest expense arising from amortisation of long term payables of RM3.021 million (FY16 : RMNil) and tax penalty of RM0.637 million (FY16 : RMNil).

If these were excluded, the overall profit margin has dropped mainly attributed from the sale of residential houses which yielded lower profit margin as compared to sale of commercial buildings in the corresponding previous financial year.

**B1. Operating Segment Review (cont'd.)**

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

**Utilities**

The revenue of utilities segment is derived from supply of treated water and related services to consumers from a water treatment plant located in Lao People's Democratic Republic.

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

The utilities segment has recorded lower margin for the current financial year due to loss on foreign exchange of RM1.878 million (FY16 : gain on foreign exchange of RM0.744 million). If this was excluded from pre-tax profit, the utilities segment has a slightly higher overall margin for full year results in FY17 as compared to the 2-month results in FY16.

**Others**

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

This segment recorded a lower pre-tax profit of RM0.488 million (FY16 : RM0.607 million) on the much lower turnover of RM3.761 million (FY16 : RM9.283 million) in the current financial year as compared to the corresponding previous financial year.

The improvement in overall margin was mainly due to higher overseas sales achieved which generally yielded higher profit margin as compared to local sales.

**B2. Variance of Results Against Preceding Quarter**

	<b>Current Quarter 31 December 2017 RM'000</b>	<b>Immediate Preceding Quarter 30 September 2017 RM'000</b>	<b>Changes Amount RM'000</b>
Revenue	74,849	52,521	22,328
Pre-tax profit	2,376	3,914	(1,538)

The Group recorded lower pre-tax profit on higher revenue for 4Q17 as compared to the immediate preceding quarter (3Q17).

The decrease in the overall margin in 4Q17 was mainly due to non-operational losses such as interest expense arising from amortisation of long term payables of RM3.021 (3Q17 : RMNil) and tax penalty of RM1.568 million (3Q17 : RMNil) imposed by tax authority for prior years taxes. These losses were partially off-set by the reversal of impairment loss on receivables of RM1.239 million (3Q17 : provision for impairment loss on receivables of RM0.085 million). If these were excluded from pre-tax profit, the Group recorded consistent results for both quarters.

### **B3. Propects**

2018 is expected to be another flat and challenging period for the real property market. The key issues of price unaffordability, overhang of property, rising cost of living, weak buyer sentiments, continued cooling measures implemented and tight financing will continue to have a dampening effect on the property industry. With this in mind, the Group's focus area will be on selling its inventories and be more cautious in the launching of new property development projects.

The growth in construction activity is built on an array of civil engineering and real estate developments, especially affordable housing supported by government initiatives. Construction projects worth RM350 billion are expected to come onstream over the next two to three years with the announcement of Budget 2018. This will definitely spur the construction industry. However, with the thin project margin and rising price of construction materials, maintaining cost efficiency has remained challenging for the Group.

In view of the fluctuation in petroleum products price which formed a major raw material cost for premix products, the overall performance of the manufacturing segment in 2018 is expected to be challenging.

Taking into consideration of the above-mentioned, the directors expect the Group's operating environment to remain challenging and the profitability to be modest for 2018.

**B4. Income tax expense**

	Individual Quarter		Financial year	
	3 months ended		12 months ended	
	31 December		31 December	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	1,627,843	1,626,452	4,560,519	6,265,407
Under/(Over) provision in prior years	3,476,161	(1,002)	3,405,205	(29,375)
	<u>5,104,004</u>	<u>1,625,450</u>	<u>7,965,724</u>	<u>6,236,032</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	(1,362,718)	845,888	(2,003,921)	593,398
(Over)/Under provision in prior years	-	(87)	44,630	3,494
	<u>(1,362,718)</u>	<u>845,801</u>	<u>(1,959,291)</u>	<u>596,892</u>
Income tax expense	<u>3,741,286</u>	<u>2,471,251</u>	<u>6,006,433</u>	<u>6,832,924</u>

Current income tax is calculated at the Malaysian corporate statutory tax rate ranges from 20% to 24% of the estimated assessable profit for the Year of Assessment 2017 and Year of Assessment 2018. The reduction in the income tax rate is based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment.

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:

	Individual Quarter 3 months ended 31 December		Financial year 12 months ended 31 December	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit before tax	2,376,153	39,002,875	12,167,317	57,052,333
Taxation at applicable tax rates	570,277	7,933,148	2,920,156	13,692,560
Income not subject to tax	(596,933)	(8,061,646)	(2,045,537)	(10,065,221)
Expenses not deductible for tax purposes	1,223,008	2,530,308	2,989,330	3,484,690
Difference in tax rate of foreign subsidiaries	(7,832)	-	(122,081)	-
Effect of changes in tax rate	20,257	(72,983)	-	(72,983)
Taxable income not recognised	(1,566,930)	-	(1,566,930)	-
Foreign withholding tax	142,513	-	142,513	-
Deferred tax on undistributed earnings from foreign subsidiary	514,199	-	514,199	-
Deferred tax assets not recognised	1,587	2,307	6,383	7,807
Deferred tax on fair value adjustment	3,384	216,950	3,384	216,950
Utilisation of previously unrecognised deferred tax assets	(38,405)	(75,744)	(284,819)	(404,998)
Under/(Over) provision of current tax in prior years	3,476,161	(1,002)	3,405,205	(29,375)
(Over)/Under provision of deferred tax in prior years	-	(87)	44,630	3,494
Income tax expense	3,741,286	2,471,251	6,006,433	6,832,924

**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**

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>Short term borrowings</b>		
Hire purchase liabilities (secured)	3,861,680	5,126,246
Term loans (secured)	5,000,004	11,183,933
Bank overdrafts (secured)	4,847,292	2,293,966
Bank overdrafts (unsecured)	15,063	127,610
Revolving credit (secured)	3,000,000	3,000,000
Revolving credit (unsecured)	-	1,800,000
Bankers' acceptances (unsecured)	3,322,000	1,921,328
	<u>20,046,039</u>	<u>25,453,083</u>
<b>Long term borrowings</b>		
Hire purchase liabilities (secured)	1,412,178	3,465,962
Term loans and bridging loan (secured)	63,020,030	75,070,034
	<u>64,432,208</u>	<u>78,535,996</u>
<b>Total borrowings</b>	<u>84,478,247</u>	<u>103,989,079</u>

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

	<b>As at 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Ringgit Malaysia	79,630,955	101,695,113
Lao Kip	4,847,292	2,293,966
	<u>84,478,247</u>	<u>103,989,079</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 (2016 : 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 (2016 : 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:

	<b>Individual Quarter</b>		<b>Financial year</b>	
	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit attributable to owners of the Company	<u>(1,508,058)</u>	<u>36,427,428</u>	<u>5,336,363</u>	<u>50,893,235</u>
Weighted average number of ordinary shares in issue	<u>92,699,600</u>	<u>92,699,600</u>	<u>92,699,600</u>	<u>92,699,600</u>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Basic earnings per share	<u>(1.63)</u>	<u>39.30</u>	<u>5.76</u>	<u>54.90</u>

**(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 2016 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 RM20.3 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)**

	<b>Financial year 12 months ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Total retained profits of the Group		
- Realised profits	331,150,986	327,358,401
- Unrealised (losses)/profit	(1,872,659)	2,076,954
	<u>329,278,327</u>	<u>329,435,355</u>
 Total share of accumulated losses from associates		
- Realised losses	<u>-</u>	<u>(7,600,000)</u>
 Less: Consolidated adjustments	<u>(35,917,285)</u>	<u>(30,941,710)</u>
 Retained profits as per statement of financial position	<u>293,361,042</u>	<u>290,893,645</u>