

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter and 3 months ended 31 March 2013 - unaudited**

	Note	Individual Quarter 3 months ended 31 March		Cumulative Quarters 3 months ended 31 March	
		2013	2012	2013	2012
		RM	RM	RM	RM
Revenue		57,720,113	33,465,796	57,720,113	33,465,796
Interest income		306,105	372,486	306,105	372,486
Other income		2,254,703	560,698	2,254,703	560,698
Operating expenses		(45,312,529)	(20,859,459)	(45,312,529)	(20,859,459)
Changes in work-in-progress and finished goods		(609,206)	(546,891)	(609,206)	(546,891)
Employee benefit expenses		(4,570,926)	(3,810,237)	(4,570,926)	(3,810,237)
Administrative expenses		(4,128,547)	(3,372,587)	(4,128,547)	(3,372,587)
Profit from operating activities	A8	5,659,713	5,809,806	5,659,713	5,809,806
Interest expense		(619,839)	(471,307)	(619,839)	(471,307)
Share of loss of associates, net of tax		(368,639)	(1,029,453)	(368,639)	(1,029,453)
Profit before tax		4,671,235	4,309,046	4,671,235	4,309,046
Income tax expense		(1,296,324)	(870,231)	(1,296,324)	(870,231)
Profit for the period, net of tax		3,374,911	3,438,815	3,374,911	3,438,815
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		13,359	(255,064)	13,359	(255,064)
(Loss)/gain on fair value changes on available-for-sale investments		(5,113)	21,165	(5,113)	21,165
Share of other comprehensive income of associates		121,030	-	121,030	-
Other comprehensive income for the period, net of tax		129,276	(233,899)	129,276	(233,899)
Total comprehensive income for the period		3,504,187	3,204,916	3,504,187	3,204,916
Profit for the period attributable to:					
Owners of the Company		3,530,631	4,253,258	3,530,631	4,253,258
Non-controlling interests		(155,720)	(814,443)	(155,720)	(814,443)
Profit for the period		3,374,911	3,438,815	3,374,911	3,438,815
Total comprehensive income attributable to:					
Owners of the Company		3,646,342	4,062,555	3,646,342	4,062,555
Non-controlling interests		(142,155)	(857,639)	(142,155)	(857,639)
Total comprehensive income for the period		3,504,187	3,204,916	3,504,187	3,204,916
Basic/Diluted, earnings per ordinary share (sen)		3.81	4.59	3.81	4.59

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2012 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 March 2013 - unaudited**

	31 March 2013 RM	31 December 2012 RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	50,879,819	56,843,996
Land held for property development	44,175,478	44,156,828
Investment properties	155,906,619	61,853,330
Land use rights	194,919	193,416
Investments in associates	51,705,255	51,953,369
Available-for-sale investments	21,457	19,380
Quarry extraction exclusive rights	602,494	624,808
Trade and other receivables	1,293,432	1,271,186
Deferred tax assets	2,209,114	1,753,235
Total non-current assets	306,988,587	218,669,548
Current Assets		
Property development costs	46,647,156	49,515,101
Inventories	33,325,753	34,604,783
Trade and other receivables	64,199,447	77,980,752
Other current assets	11,095,729	6,957,744
Available-for-sale investments	12,847,233	9,148,470
Tax recoverable	775,143	1,181,626
Cash and cash equivalents	58,215,772	51,664,802
Total current assets	227,106,233	231,053,278
Non-current assets classified as held-for-sale	5,759,538	6,568,615
TOTAL ASSETS	539,854,358	456,291,441
EQUITY AND LIABILITIES		
Equity		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	183,455,216	179,924,585
Reserves	1,572,532	1,456,821
Total equity attributable to owners of the Company	286,484,944	282,838,602
Non-controlling interests	7,229,515	7,412,170
Total equity	293,714,459	290,250,772
Non-Current Liabilities		
Loans and borrowings	67,442,672	69,004,615
Deferred tax liabilities	8,456,198	9,318,226
Total non-current liabilities	75,898,870	78,322,841
Current Liabilities		
Loans and borrowings	8,329,455	11,897,120
Trade and other payables	130,308,251	54,869,022
Other current liabilities	28,090,588	18,162,979
Tax payable	3,512,735	2,788,707
Total current liabilities	170,241,029	87,717,828
Total liabilities	246,139,899	166,040,669
TOTAL EQUITY AND LIABILITIES	539,854,358	456,291,441
Net assets per share attributable to owners of the Company (RM)	3.09	3.05

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2012 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Changes in Equity
For 3 months ended 31 March 2013 - unaudited**

	Attributable to owners of the Company					Total Equity RM		
	Non distributable		Distributable					
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Fair value adjustment reserve RM	Retained profits RM	Non- controlling Interests RM	Total Equity RM
3 months ended 31 March 2013								
Balance at 1 January 2013	92,699,600	8,757,596	(150,019)	1,567,909	38,931	179,924,585	7,412,170	290,250,772
Total comprehensive income for the period	-	-	120,914	-	(5,203)	3,530,631	(142,155)	3,504,187
Dividend paid to non-controlling interests, representing total transactions with owners	-	-	-	-	-	-	(40,500)	(40,500)
Balance at 31 March 2013	92,699,600	8,757,596	(29,105)	1,567,909	33,728	183,455,216	7,229,515	283,714,459
3 months ended 31 March 2012								
Balance at 1 January 2012	92,699,600	8,757,596	(57,389)	1,567,909	(11,017)	163,025,985	9,213,216	275,195,900
Total comprehensive income for the period	-	-	(211,581)	-	20,878	4,253,258	(857,639)	3,204,916
Issuance of shares by subsidiary to non- controlling interests, representing total transactions with owners	-	-	-	-	-	-	1,581,274	1,581,274
Balance at 31 March 2012	92,699,600	8,757,596	(268,970)	1,567,909	9,861	167,279,243	9,936,851	279,982,090

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2012 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 3 months ended 31 March 2013 - unaudited**

	3 months ended 31 March	
	2013 RM	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation :	4,671,235	4,309,046
Adjustment for :-		
Amortisation of land use rights	1,126	1,102
Amortisation of quarry extraction exclusive rights	22,314	22,315
Bad debts written off	-	462
Depreciation	5,985,892	1,012,310
Dividend income from available-for-sale investments	(61,994)	(22,124)
(Gain)/loss on disposal of available-for-sale investments	(25,919)	8,495
Gain on disposal of property, plant and equipment, net	(38,153)	(142,725)
Gain on disposal of non-current assets classified as held-for-sale	(12,923)	-
Interest expense	794,091	471,307
Interest income	(306,105)	(372,486)
Loss on disposal of investment in a subsidiary	1,603	-
(Write back of)/provision for impairment loss on: - trade and other receivables	(1,160,906)	36,525
Property, plant and equipment written off	255	54
Share of loss of associates	368,639	1,029,453
Unrealised (gain)/loss on foreign exchange	(448,384)	1,129,358
Write back of inventories written down	-	(13,428)
Operating profit before changes in working capital	<u>9,790,771</u>	<u>7,469,664</u>
Changes in working capital:-		
Net changes in current assets	15,148,103	(13,640,236)
Net changes in current liabilities	<u>82,684,856</u>	<u>10,335,990</u>
Cash flows from operations	<u>107,623,730</u>	<u>4,165,418</u>
Interest paid	(52,817)	(92,389)
Interest received	148,069	184,935
Taxes paid	<u>(1,483,719)</u>	<u>(2,803,074)</u>
Net cash flows from operating activities	<u>106,235,263</u>	<u>1,454,890</u>

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows
For the 3 months ended 31 March 2013 - unaudited**

	3 months ended 31 March	
	2013 RM	2012 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance to associates	(175,000)	(10,319,665)
Interest received	135,790	166,760
Land held for property development	(18,650)	-
Net dividend received from available-for-sale investments	61,994	22,124
Proceeds from disposal of:		
- available-for-sale investments	5,083,537	3,000,000
- investment in a subsidiary	(4,867)	-
- investment property	245,000	230,000
- non-current assets classified as held-for-sale	822,000	-
- property, plant and equipment	130,878	451,490
Purchase of:		
- available-for-sale investments	(8,763,571)	(3,472,124)
- additional shares in associates	(1)	-
- investment properties	(93,851,514)	(40,509,376)
- property, plant and equipment	(86,880)	(231,812)
Net cash flows used in investing activities	<u>(96,421,284)</u>	<u>(50,662,603)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown from term loan	-	19,651,491
Dividend paid to non-controlling interests	(40,500)	-
Interest paid	(529,595)	(180,592)
Proceed from issuance of NCRPS to non-controlling interests	-	4,900,000
Repayment of term loan	(1,755,112)	(80,080)
Repayment of hire purchase liabilities	(170,877)	(328,363)
Net cash flows (used in)/from financing activities	<u>(2,496,084)</u>	<u>23,962,456</u>
Net increase/(decrease) in cash and cash equivalents	7,317,895	(25,245,257)
Effects of exchange rate differences	(4,714)	(784,093)
Cash and cash equivalents at beginning of the period	47,973,449	70,679,260
Cash and cash equivalents at end of the period	<u>55,286,630</u>	<u>44,649,910</u>

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

Cash and bank balances	21,351,416	15,188,734
Deposits with licensed banks	34,676,821	34,375,898
Deposits with licensed financial institution	2,187,535	40,000
Bank overdrafts	(1,429,032)	(4,829,266)
	<u>56,786,740</u>	<u>44,775,366</u>
Less : Deposit pledged for banking facilities	(1,500,110)	(125,456)
	<u>55,286,630</u>	<u>44,649,910</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2012 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD
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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 2012. 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 2012.

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 2012 except as follows:

On 1 January 2013, the Group adopted the following applicable new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

FRS 101 : Presentation of Items of Other Comprehensive Income (Amendments to FRS 101)
Amendments to FRS 101 : Presentation of Financial Statements (Improvements to FRSs (2012))
FRS 10 : Consolidated Financial Statements
FRS 11 : Joint Arrangements
FRS 12 : Disclosure of Interests in Other Entities
FRS 13 : Fair Value Measurement
FRS 119 : Employee Benefits
FRS 127 : Separate Financial Statements
FRS 128 : Investments in Associates and Joint Ventures
Amendments to IC Interpretation 2 : Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012))
IC Interpretation 20 : Stripping Costs in the Production Phase of a Surface Mine
Amendments to FRS 7 : Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 1 : First-time Adoption of Financial Reporting Standards
- Government Loans
Amendments to FRS 1 : First-time Adoption of Financial Reporting Standards (Improvements to FRSs (2012))
Amendments to FRS 116 : Property, Plant and Equipment (Improvements to FRSs (2012))
Amendments to FRS 132 : Financial Instruments : Presentation (Improvements to FRSs (2012))
Amendments to FRS 134 : Interim Financial Reporting (Improvements to FRSs (2012))
Amendments to FRS 10 : Consolidated Financial Statements : Transition Guidance
Amendments to FRS 11 : Joint Arrangements : Transition Guidance
Amendments to FRS 12 : Disclosures of Interests in Other Entities : Transition Guidance

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. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

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 2014. 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.

The Group has commenced transitioning its 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 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 period ended 31 March 2013 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 2014.

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 quarter.

A5. Changes in Estimates

The Group revised the estimated useful lives of certain plant and machineries from 10 years to 5 or 7 years with effect from 1 January 2013. The revision were accounted for as a change in accounting estimates and as a result, the depreciation charges for the current interim period ended 31 March 2013 have been increased by RM4,667,801.

There were no other changes in estimates that have had a material effect in the current interim results.

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(Company No. 369472-P)
(Incorporated in Malaysia)

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 quarter.

A7. Dividend Paid

No dividend has been paid during the current quarter.

A8. Profit from operating activities

	Curret Quarter		Current financial	
	3 months ended		year-to-date	
	31 March		31 March	
	2013	2012	2013	2012
	RM	RM	RM	RM
Dividend income from available-for-sale investments	(61,994)	(22,124)	(61,994)	(22,124)
(Gain)/ loss on disposal of available-for-sale investments	(25,919)	8,495	(25,919)	8,495
Amortisation of land use rights	1,126	1,102	1,126	1,102
Amortisation of quarry extraction exclusive rights	22,314	22,315	22,314	22,315
Total depreciation	5,985,892	1,012,310	5,985,892	1,012,310
Depreciation capitalised under construction costs	(2,909,558)	(311,689)	(2,909,558)	(311,689)
Depreciation charged to profit from operating activities	3,076,334	700,621	3,076,334	700,621
(Gain)/loss on disposal of property, plant and equipment, net	(38,153)	(142,725)	(38,153)	(142,725)
Gain on disposal of non-current assets classified as held-for-sale	(12,923)	-	(12,923)	-
Loss on disposal of investment in a subsidiary	1,603	-	1,603	-
Property, plant and equipment written off	255	54	255	54
Write back of inventories written down	-	(13,428)	-	(13,428)
(Gain)/loss on foreign exchange				
- unrealised	(448,384)	1,129,358	(448,384)	1,129,358
- realised	7,411	120,961	7,411	120,961
(Write back of)/provision for impairment loss on trade and other receivables	(1,160,906)	36,525	(1,160,906)	36,525
Bad debts written off	-	462	-	462
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.

Current quarter 3 months ended 31 March 2013	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	1,100,683	27,647,196	21,641,609	15,507,163	3,462,184	69,358,835
Inter-segment sales	870,749	7,720,790	373,624	-	2,673,559	11,638,722
External sales	229,934	19,926,406	21,267,985	15,507,163	788,625	57,720,113
Results						
Segment results	(441,766)	2,090,974	1,536,235	2,495,788	(21,518)	5,659,713
Interest expense	(342,710)	(17,814)	(2,365)	(256,520)	(430)	(619,839)
Group's share of results of associates	(368,639)	-	-	-	-	(368,639)
(Loss)/profit before taxation	(1,153,115)	2,073,160	1,533,870	2,239,268	(21,948)	4,671,235
Income tax expense	88,424	(351,066)	(432,939)	(593,367)	(7,376)	(1,296,324)
Profit for the period						<u>3,374,911</u>
Total Assets						
Segment assets	174,770,586	82,725,101	72,403,255	126,841,583	9,796,093	466,536,618
Interests in associates	51,705,255					51,705,255
Unallocated corporate assets	6,929,435	10,553,166	2,545,905	1,492,671	91,308	<u>21,612,485</u>
Total assets						<u>539,854,358</u>

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

3 months ended	Investment	Construction	Manufacturing	Property	Others	Total
31 March 2012	RM	RM	RM	development	RM	RM
				RM		
Revenue						
Total revenue	4,540,132	11,834,679	17,017,693	9,177,613	5,122,470	47,692,587
Inter-segment sales	4,462,882	5,903,572	618,121	-	3,242,216	14,226,791
External sales	<u>77,250</u>	<u>5,931,107</u>	<u>16,399,572</u>	<u>9,177,613</u>	<u>1,880,254</u>	<u>33,465,796</u>
Results						
Segment results	(1,615,719)	3,679,194	1,659,473	1,891,917	194,941	5,809,806
Interest expense	(372,428)	(15,061)	(14,947)	(68,871)	-	(471,307)
Group's share of result of associates	(1,029,453)	-	-	-	-	(1,029,453)
(Loss)/Profit before taxation	<u>(3,017,600)</u>	<u>3,664,133</u>	<u>1,644,526</u>	<u>1,823,046</u>	<u>194,941</u>	<u>4,309,046</u>
Income tax expense	1,050,232	(1,017,814)	(416,269)	(459,932)	(26,448)	(870,231)
Profit for the period						<u>3,438,815</u>
Total Assets						
Segment assets	94,706,285	81,763,115	66,224,285	71,251,875	10,901,257	324,846,817
Interests in associates	62,004,556	-	-	-	-	62,004,556
Unallocated corporate assets						<u>9,342,361</u>
Total assets						<u>396,193,734</u>

DKLS INDUSTRIES BERHAD
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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 quarter.

A11. Changes in Composition of the Group

On 7 March 2013, the Company disposed of its entire investment in DKLS Oil & Gas Sdn Bhd, comprising 1,000,000 ordinary shares of RM1.00 each and 7,500,000 Non-cumulative Redeemable Preference Shares of RM1.00 each, for a total cash consideration of RM489,000. The disposal has resulted in a reversal of impairment loss of RM489,000 at the Company's level and a loss on disposal of RM1,603 at the Group's level.

The effect of the disposal on the financial results of the Group to the date of disposal is as follows:

	Financial period ended 6 March 2013 RM
Other operating income	8,089
Administrative expenses	(264)
Profit from operations	<u>7,825</u>
Interest expense	(44,528)
Loss before tax	<u>(36,703)</u>
Income tax expense	11,132
Loss for the period	<u>(25,571)</u>

The summary of the effects of the disposal of the subsidiary on the financial position of the Group is as follows:

	6 March 2013 RM
Net assets disposed:	
Cash and cash equivalent	493,867
Other payables	(3,264)
Net assets disposed:	<u>490,603</u>
Loss on disposal of subsidiary	(1,603)
Total consideration received from disposal	489,000
Less: Cash and cash equivalent of subsidiary disposed	(493,867)
Net cash from disposal of interest	<u>(4,867)</u>

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

A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities	2013 RM	As at 31 March 2012 RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	92,964,823	60,094,886
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	1,814,141	938,428
Corporate guarantee given to a bank for facilities granted to third parties in connection with projects to be performed by a subsidiary	-	6,100,000
Corporate guarantee given to third parties for payment of balance purchase price in connection with the purchase of investment property by one of the subsidiaries	75,040,000	-
	<u>169,818,964</u>	<u>67,133,314</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 2012.

DKLS INDUSTRIES BERHAD
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(Incorporated in Malaysia)

A13. Related Party Disclosures

Significant related party transactions are as follows:

	Current quarter 3 months ended 31 March		Current financial year-to-date 3 months ended 31 March	
	2013	2012	2013	2012
	RM	RM	RM	RM
Supply of electricity by Ipoh Tower Sdn Bhd	(12,986)	(12,820)	(12,986)	(12,820)
Sale of materials to :				
Yu Marketing Sdn Bhd	-	2,580	-	2,580
Juta Mahsuri Sdn Bhd	773	26,184	773	26,184
Savan-DKLS Water Supply Co Ltd	100,125	-	100,125	-
Purchase of consumables from DKLS Service Station	(21,201)	(24,887)	(21,201)	(24,887)
Rental of building paid to Ding Poi Bor	(15,000)	(15,000)	(15,000)	(15,000)
Rental income received from Arkitek Ding Poi Kooi	2,250	2,250	2,250	2,250

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 March 2013 RM
Approved and contracted for: Property, plant and equipment	<u>1,611,405</u>
Approved but not contracted for: Property, plant and equipment	<u>3,297,610</u>

A15. Operating lease commitments - as lessor

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

	As at 31 March 2013 RM
Not later than 1 year	1,164,327
Later than 1 year but not later than 5 years	625,444
	<u>1,789,771</u>

B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

Review of Performance for 1Q13 vs 1Q12

The Group recorded a revenue of RM57.720 million for the first quarter ended 31 March 2013 (1Q13), an increase of RM24.254 million (or 72.5%), as compared to the revenue of RM33.466 million for the corresponding quarter ended 31 March 2012 (1Q12). The pre-tax profit for 1Q13 of RM4.671 million increased by RM0.362 million (or 8.4%) as compared to pre-tax profit of RM4.309 million for 1Q12. The higher revenue and pre-tax profit of the Group can be analysed as below:-

1Q13 vs 1Q12

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	153	1,864
Construction	13,995	(1,590)
Manufacturing	4,868	(111)
Property development	6,330	416
Others	(1,092)	(217)
	<u>24,254</u>	<u>362</u>

Investment

External revenue of the investment segment derived mainly from the investment properties. The higher revenue recorded in the current quarter as compared to corresponding quarter was mainly due to the rental income derived from a new investment property acquired by a subsidiary in February 2012.

For the corresponding quarter, the share of losses of the associates was previously included under "Others" segment. For comparison purposes, the share of losses was reclassified to the "Investment" segment to be consistent with the current quarter's presentation.

The lower pre-tax loss recorded in the current quarter as compared to the corresponding quarter was substantially due to the lower share of losses of the associates.

Construction

The construction segment recorded a lower pre-tax profit despite a higher revenue achieved. This was mainly due to lower margin from projects in progress as compared to higher margin realised from completion of certain projects in the corresponding quarter. The effect of lower margin has been partially off-set by the write back of provision for impairment loss on trade and other receivables of RM1.03 million in the current quarter.

B. Additional information required by BMSB's Listing Requirements (cont'd.)

B1. Operating Segment Review (cont'd.)

Manufacturing

There was a slight decline in the pre-tax profit recorded by the manufacturing segment despite the higher revenue achieved. This was mainly due to the higher depreciation charges of RM2.181 million arising from the changes in accounting estimates. If this was excluded, the manufacturing segment would have shown a higher pre-tax profit as a result of the higher revenue achieved in the current quarter.

Property Development

Despite of an increase in revenue, the property development segment recorded a lower profit margin due to realisation of sale of residential properties under a joint venture development project.

Others

The revenue of the others segment in the current quarter derived mainly from the trading of construction materials.

The lower revenue and pre-tax profit for the current quarter as compared to corresponding quarter was mainly due to the cyclical income from the sale of merchantable timbers upon the completion of the extraction of a timber concession in previous financial year and now pending the commencement of a new concession area.

B2. Variance of Results Against Preceding Quarter

The revenue for 1Q13 decreased by 18.1% as compared to the revenue of RM70.511 million registered in the immediate preceding quarter (4Q12). The Group also recorded a decrease in pre-tax profit of RM2.391 million for 1Q13 as compared to the pre-tax profit of RM7.062 million for 4Q12. The lower pre-tax profit in 1Q13 was mainly due to the increase in depreciation charges resulted from changes in accounting estimates.

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

B3. Projects

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.

B4. Income tax expense

	Current quarter		Current financial	
	3 months ended		year-to-date	
	31 March		3 months ended	
	2013	2012	2013	2012
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	2,614,986	917,329	2,614,986	917,329
Real properties gains tax	(3,750)	1,277	(3,750)	1,277
Over provision in prior years	(755)	-	(755)	-
	<u>2,610,481</u>	<u>918,606</u>	<u>2,610,481</u>	<u>918,606</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	(1,314,783)	(48,375)	(1,314,783)	(48,375)
Under provision in prior years	626	-	626	-
	<u>(1,314,157)</u>	<u>(48,375)</u>	<u>(1,314,157)</u>	<u>(48,375)</u>
Income tax expense	<u>1,296,324</u>	<u>870,231</u>	<u>1,296,324</u>	<u>870,231</u>

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

B4. Income tax expense (cont'd.)

Current income tax is calculated at the Malaysian corporate statutory tax rate of 25% of the estimated assessable profit for the year.

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

A reconciliation of income tax expense applicable to profit before taxation 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 March		Current financial year-to-date 3 months ended 31 March	
	2013	2012	2013	2012
	RM	RM	RM	RM
Profit before taxation	4,671,235	4,309,046	4,671,235	4,309,046
Taxation at applicable tax rates	1,167,809	1,077,262	1,167,809	1,077,262
Income not subject to tax	(423,004)	(1,063,952)	(423,004)	(1,063,952)
Expenses not deductible for tax purposes	576,339	907,841	576,339	907,841
Difference in tax rate	(42,547)	-	(42,547)	-
Utilisation of previously unrecognised deferred tax assets	-	(49,687)	-	(49,687)
Effect of reversal of real property gains tax	(3,750)	(2,510)	(3,750)	(2,510)
Deferred tax assets not recognised	21,606	-	21,606	-
Real property gains tax	-	1,277	-	1,277
Over provision of current tax in prior years	(755)	-	(755)	-
Under provision of deferred tax in prior years	626	-	626	-
Income tax expense	1,296,324	870,231	1,296,324	870,231

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.

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

B6. Borrowing and Debt Securities

	As at 31 March	
	2013	2012
	RM	RM
Short term borrowings		
Hire purchase liabilities (secured)	551,692	556,418
Term loans (secured)	2,172,977	564,000
Bank overdrafts (unsecured)	1,429,032	4,829,266
Revolving credits (unsecured)	1,800,000	1,800,000
Bankers' acceptances (unsecured)	2,375,754	2,558,854
	<u>8,329,455</u>	<u>10,308,538</u>
Long term borrowings		
Hire purchase liabilities (secured)	153,392	108,030
Term loans (secured)	54,463,122	21,680,331
Non-cumulative redeemable preference shares (unsecured)	12,826,158	12,019,496
	<u>67,442,672</u>	<u>33,807,857</u>
Total borrowings	<u>75,772,127</u>	<u>44,116,395</u>

Borrowings are denominated in the following currencies:

	As at 31 March	
	2013	2012
	RM	RM
Hong Kong Dollar	9,119,049	-
Ringgit Malaysia	57,343,028	44,116,395
Singapore Dollar	9,310,050	-
	<u>75,772,127</u>	<u>44,116,395</u>

B7. Changes in Material Litigation

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

B8. Proposed Dividend

No dividend has been proposed or declared in respect of the current quarter ended 31 March 2013.

The Board of Directors has recommended a first and final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2012. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 22 May 2013. If the approval is obtained, the dividend is payable on 15 August 2013 to shareholders whose names appear in the Record of Depositors on 31 July 2013.

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

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:

	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit attributable to owners of the Company	3,530,631	4,253,258	3,530,631	4,253,258
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	3.81	4.59	3.81	4.59

(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 2012 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 RM26.191 million on behalf of the main contractors. As at the end of the reporting period, the Company had given guarantee amounting to RM75.040 million to a third party for payment of balance purchase price in connection with the purchase of investment property by one of the subsidiaries. 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.

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

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

	Accumulative quarter ended 31 March	
	2013 RM	2012 RM
Total retained profits of the Group		
- Realised profits	248,713,569	223,369,148
- Unrealised losses	<u>(25,347,175)</u>	<u>(18,154,413)</u>
	<u>223,366,394</u>	<u>205,214,735</u>
 Total share of accumulated losses from associated companies		
- Realised losses	(14,732,596)	(9,973,962)
- Unrealised losses	<u>(91,681)</u>	<u>(91,681)</u>
	<u>(14,824,277)</u>	<u>(10,065,643)</u>
 Less: Consolidated adjustments	<u>(25,086,901)</u>	<u>(27,869,849)</u>
 Retained profits as per statement of financial position	<u>183,455,216</u>	<u>167,279,243</u>

By Order of the Board

Cheai Weng Hoong
Chan May Yoke
Company Secretaries

Dated : 22 May 2013