

Condensed Consolidated Statement of Comprehensive Income
For the quarter and 6 months ended 30 June 2013 - unaudited

Note	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
	2013	2012	2013	2012
	RM	RM	RM	RM
Revenue	65,551,100	55,161,704	123,271,213	88,627,500
Interest income	322,598	293,806	628,703	666,292
Other income	775,501	680,712	3,030,204	1,241,410
Operating expenses	(48,874,749)	(41,032,034)	(94,187,278)	(61,891,493)
Changes in work-in-progress and finished goods	121,550	(837,724)	(487,656)	(1,384,615)
Employee benefit expenses	(2,456,599)	(2,455,742)	(7,027,525)	(6,265,979)
Administrative expenses	(5,891,798)	(1,973,619)	(10,020,345)	(5,346,206)
Profit from operating activities	9,547,603	9,837,103	15,207,316	15,646,909
Interest expense	(632,027)	(436,260)	(1,251,866)	(907,567)
Share of loss of associates, net of tax	(2,024,425)	(2,230,773)	(2,393,064)	(3,260,226)
Profit before tax	6,891,151	7,170,070	11,562,386	11,479,116
Income tax expense	(2,972,363)	(3,363,723)	(4,268,687)	(4,233,954)
Profit for the period, net of tax	3,918,788	3,806,347	7,293,699	7,245,162
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	658,792	202,886	672,151	(52,178)
(Loss)/gain on fair value changes on available-for-sale investments	16,388	(2,076)	11,275	19,089
Share of other comprehensive income of associates	-	-	121,030	-
Other comprehensive income for the period, net of tax	675,180	200,810	804,456	(33,089)
Total comprehensive income for the period	4,593,968	4,007,157	8,098,155	7,212,073
Profit for the period attributable to:				
Owners of the Company	5,620,053	4,824,927	9,150,684	9,078,185
Non-controlling interests	(1,701,265)	(1,018,580)	(1,856,985)	(1,833,023)
Profit for the period	3,918,788	3,806,347	7,293,699	7,245,162
Total comprehensive income attributable to:				
Owners of the Company	6,166,228	4,983,722	9,812,570	9,046,277
Non-controlling interests	(1,572,260)	(976,565)	(1,714,415)	(1,834,204)
Total comprehensive income for the period	4,593,968	4,007,157	8,098,155	7,212,073
Basic/Diluted, earnings per ordinary share (sen)	6.06	5.20	9.87	9.79

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 30 June 2013 - unaudited

	30 June 2013	31 December 2012
	RM	RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	51,659,486	56,843,996
Land held for property development	44,183,211	44,156,828
Investment properties	152,573,919	61,853,330
Land use rights	201,884	193,416
Investments in associates	49,853,397	51,953,369
Available-for-sale investments	28,840	19,380
Quarry extraction exclusive rights	580,179	624,808
Trade and other receivables	1,315,678	1,271,186
Deferred tax assets	1,275,205	1,753,235
Total non-current assets	<u>301,671,799</u>	<u>218,669,548</u>
Current Assets		
Property development costs	41,211,108	49,515,101
Inventories	33,307,141	34,604,783
Trade and other receivables	63,627,237	77,980,752
Other current assets	13,109,169	6,957,744
Available-for-sale investments	9,544,401	9,148,470
Tax recoverable	1,069,823	1,181,626
Cash and cash equivalents	68,463,265	51,664,802
Total current assets	<u>230,332,144</u>	<u>231,053,278</u>
 Non-current assets classified as held-for-sale	 <u>5,759,538</u>	 <u>6,568,615</u>
TOTAL ASSETS	<u>537,763,481</u>	<u>456,291,441</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	189,075,269	179,924,585
Reserves	2,118,707	1,456,821
Total equity attributable to owners of the Company	<u>292,651,172</u>	<u>282,838,602</u>
Non-controlling interests	<u>5,496,290</u>	<u>7,412,170</u>
Total equity	<u>298,147,462</u>	<u>290,250,772</u>
Non-Current Liabilities		
Loans and borrowings	68,412,942	69,004,615
Deferred tax liabilities	8,373,591	9,318,226
Total non-current liabilities	<u>76,786,533</u>	<u>78,322,841</u>
Current Liabilities		
Loans and borrowings	15,241,048	11,897,120
Trade and other payables	117,254,976	54,869,022
Other current liabilities	26,040,376	18,162,979
Tax payable	4,293,086	2,788,707
Total current liabilities	<u>162,829,486</u>	<u>87,717,828</u>
 Total liabilities	 <u>239,616,019</u>	 <u>166,040,669</u>
 TOTAL EQUITY AND LIABILITIES	 <u>537,763,481</u>	 <u>456,291,441</u>
 Net assets per share attributable to owners of the Company (RM)	 <u>3.16</u>	 <u>3.05</u>

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 the 6 months ended 30 June 2013 - unaudited

	Attributable to owners of the Company					Total RM	Non-controlling interests RM	Total Equity RM	
	← Non distributable		Distributable		Fair value adjustment reserve RM				Retained profits RM
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Asset revaluation reserve RM					
6 months ended 30 June 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	-	-	650,420	-	11,466	9,150,684	(1,714,415)	8,098,155	
Dividend paid to non-controlling interests, representing total transactions with owners	-	-	-	-	-	-	(201,465)	(201,465)	
Balance at 30 June 2013	92,699,600	8,757,596	500,401	1,567,909	50,397	189,075,269	5,496,290	298,147,462	
6 months ended 30 June 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	-	-	(50,342)	-	18,434	9,078,185	(1,834,204)	7,212,073	
Issuance of shares by subsidiary to non-controlling interests	-	-	-	-	-	-	1,581,274	1,581,274	
Dilution of interests in subsidiary	-	-	-	-	-	(624,576)	714,576	90,000	
Total transactions with owners	-	-	-	-	-	(624,576)	2,295,850	1,671,274	
Balance at 30 June 2012	92,699,600	8,757,596	(107,731)	1,567,909	7,417	171,479,594	9,674,862	284,079,247	

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 6 months ended 30 June 2013 - unaudited**

	Cumulative Quarter 6 months ended 30 June	
	2013	2012
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation :	11,562,386	11,479,116
Adjustment for :-		
Amortisation of land use rights	2,266	2,271
Amortisation of quarry extraction exclusive rights	44,629	44,630
Bad debts written off	-	462
Depreciation	7,313,686	2,044,010
Dividend income from available-for-sale investments	(125,106)	(58,606)
Gain on disposal of available-for-sale investments	(42,726)	(16,437)
Gain on disposal of property, plant and equipment, net	(96,542)	(68,036)
Gain on disposal of non-current assets classified as held-for-sale	(12,923)	-
Interest expense	1,604,423	907,567
Interest income	(628,703)	(666,292)
Loss on disposal of investment in a subsidiary (Write back of)/provision for impairment loss on trade and other receivables	1,603	-
Property, plant and equipment written off	(1,239,288)	298,755
Share of loss of associates	256	54
Unrealised loss on foreign exchange	2,393,064	3,260,226
Write back of inventories written down	3,262,788	426,712
	<u>(33,939)</u>	<u>(13,428)</u>
Operating profit before changes in working capital	24,005,874	17,641,004
Changes in working capital:-		
Net changes in current assets	19,449,756	(43,326,712)
Net changes in current liabilities	68,563,071	28,091,942
Cash flows from operations	112,018,701	2,406,234
Interest paid	(100,504)	(165,829)
Interest received	273,624	290,268
Taxes paid	(3,119,110)	(4,766,106)
Net cash flows from/(used in) operating activities	<u>109,072,711</u>	<u>(2,235,433)</u>

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows
For the 6 months ended 30 June 2013 - unaudited**

	Cumulative Quarter 6 months ended 30 June	
	2013	2012
	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance to associates	(265,000)	(9,669,665)
Interest received	310,587	334,442
Land held for property development	(26,383)	-
Net dividend received from available-for-sale investments	125,106	58,606
Proceeds from disposal of:		
- available-for-sale investments	9,274,015	26,000,000
- investment in a subsidiary	(4,867)	90,000
- investment property	245,000	230,000
- non-current assets classified as held-for-sale	822,000	-
- property, plant and equipment	233,923	967,539
Purchase of:		
- available-for-sale investments	(9,625,405)	(30,507,616)
- additional shares in associates	(1)	-
- investment properties	(93,851,514)	(41,136,692)
- property, plant and equipment	(465,333)	(1,952,045)
Net cash flows used in investing activities	(93,227,872)	(55,585,431)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown from term loan	-	20,310,112
Dividend paid to non-controlling interests	(201,465)	-
Interest paid	(1,080,562)	(345,084)
Proceed from issuance of NCRPS to non-controlling interests	-	4,900,000
Repayment of term loan	(1,896,112)	(282,000)
Repayment of hire purchase liabilities	(446,594)	(623,731)
Net cash flows (used in)/from financing activities	(3,624,733)	23,959,297
Net increase/(decrease) in cash and cash equivalents	12,220,106	(33,861,567)
Effects of exchange rate differences	278,473	(540,983)
Cash and cash equivalents at beginning of the period	47,973,449	70,679,260
Cash and cash equivalents at end of the period	60,472,028	36,276,710

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

Cash and bank balances	21,457,201	9,623,654
Deposits with licensed banks	46,883,626	35,744,201
Deposits with licensed financial institution	122,438	-
Bank overdrafts	(6,491,127)	(8,965,689)
	61,972,138	36,402,166
Less : Deposit pledged for banking facilities	(1,500,110)	(125,456)
	60,472,028	36,276,710

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

(Company No. 369472-P)

(Incorporated in Malaysia)

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 30 June 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 financial year to date.

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 revisions were accounted for as a change in accounting estimates and as a result, the increase in depreciation charges for the current quarter under review and financial year to date amounted to RM0.374 million and RM5.041 million respectively.

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

DKLS INDUSTRIES BERHAD
(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 financial year to date.

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 2012, which was approved at the Annual General Meeting on 22 May 2013, was paid on 15 August 2013 to shareholders whose names appear in the Record of Depositors on 31 July 2013.

A8. Profit from operating activities

	Curret Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 June		6 months ended	
	2013	2012	2013	2012
	RM	RM	RM	RM
Amortisation of land use rights	1,140	1,169	2,266	2,271
Amortisation of quarry extraction exclusive rights	22,315	22,315	44,629	44,630
Bad debts written off	-	-	-	462
Total depreciation	1,327,794	1,031,700	7,313,686	2,044,010
Depreciation capitalised under construction costs	(574,243)	(297,546)	(3,483,801)	(609,235)
Depreciation charged to profit from operating activities	753,551	734,154	3,829,885	1,434,775
Dividend income from available-for-sale investments	(63,112)	(36,482)	(125,106)	(58,606)
(Gain)/loss on disposal of:				
- available-for-sale investments	(16,807)	(24,932)	(42,726)	(16,437)
- property, plant and equipment, net	(58,389)	74,689	(96,542)	(68,036)
- non-current assets classified as held-for-sale	-	-	(12,923)	-
Loss/(gain) on foreign exchange				
- unrealised	3,711,172	(702,646)	3,262,788	426,712
- realised	-	120,961	7,411	241,922
Loss on disposal of investment in a subsidiary	-	-	1,603	-
Property, plant and equipment written off	1	-	256	54
Write back of inventories written down	(33,939)	-	(33,939)	(13,428)
(Write back of)/provision for impairment loss on trade and other receivables	(78,382)	262,230	(1,239,288)	298,755
Gain on derivatives	N/A	N/A	N/A	N/A

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

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 30 June 2013	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	4,177,605	33,017,891	20,182,058	18,402,268	4,007,049	79,786,871
Inter-segment sales	3,834,503	6,715,886	430,326	-	3,255,056	14,235,771
External sales	343,102	26,302,005	19,751,732	18,402,268	751,993	65,551,100
Results						
Segment results	(4,038,947)	4,338,956	4,386,922	4,692,378	168,294	9,547,603
Interest expense	(349,738)	(17,214)	(10,728)	(253,977)	(370)	(632,027)
Group's share of results of associates	(2,024,425)	-	-	-	-	(2,024,425)
(Loss)/profit before taxation	(6,413,110)	4,321,742	4,376,194	4,438,401	167,924	6,891,151
Income tax expense	338,422	(901,742)	(1,099,425)	(1,270,619)	(38,999)	(2,972,363)
Profit for the period						<u>3,918,788</u>
Total Assets						
Segment assets	(1,792,029)	583,379	5,249,454	(657,623)	312,478	3,695,659
Interests in associates	(1,851,858)					(1,851,858)
Unallocated corporate assets						(3,934,678)
Total assets						<u>(2,090,877)</u>

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Current quarter 3 months ended 30 June 2012	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	9,328,264	26,680,879	23,764,484	13,537,099	8,729,341	82,040,067
Inter-segment sales	9,251,014	11,876,834	1,159,913	-	4,590,602	26,878,363
External sales	77,250	14,804,045	22,604,571	13,537,099	4,138,739	55,161,704
Results						
Segment results	(135,206)	3,217,013	3,758,567	2,284,661	712,068	9,837,103
Interest expense	(359,791)	(28,493)	(13,486)	(34,367)	(123)	(436,260)
Group's share of result of associates	(2,230,773)	-	-	-	-	(2,230,773)
(Loss)/Profit before taxation	(2,725,770)	3,188,520	3,745,081	2,250,294	711,945	7,170,070
Income tax expense	(837,605)	(790,922)	(953,442)	(623,668)	(158,086)	(3,363,723)
Profit for the period						<u>3,806,347</u>
Total Assets						
Segment assets	(2,918,020)	626,281	7,475,082	20,935,855	(328,769)	25,790,429
Interests in associates	(2,035,898)	-	-	-	-	(2,035,898)
Unallocated corporate assets						<u>3,234,045</u>
Total assets						<u>26,988,576</u>

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Cumulative quarter 6 months ended 30 June 2013	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	5,278,288	60,665,087	41,823,667	33,909,431	7,469,233	149,145,706
Inter-segment sales	4,705,252	14,436,676	803,950	-	5,928,615	25,874,493
External sales	573,036	46,228,411	41,019,717	33,909,431	1,540,618	123,271,213
Results						
Segment results	(4,480,713)	6,429,930	5,923,157	7,188,166	146,776	15,207,316
Interest expense	(692,448)	(35,028)	(13,093)	(510,497)	(800)	(1,251,866)
Group's share of result of associates	(2,393,064)	-	-	-	-	(2,393,064)
(Loss)/Profit before taxation	(7,566,225)	6,394,902	5,910,064	6,677,669	145,976	11,562,386
Income tax expense	426,846	(1,252,808)	(1,532,364)	(1,863,986)	(46,375)	(4,268,687)
Profit for the period						<u>7,293,699</u>
Total Assets						
Segment assets	172,978,557	83,308,480	77,652,709	126,183,960	10,108,571	470,232,277
Interests in associates	49,853,397	-	-	-	-	49,853,397
Unallocated corporate assets						<u>17,677,807</u>
Total assets						<u>537,763,481</u>

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Cumulative quarter 6 months ended 30 June 2012	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	13,868,396	38,515,558	40,782,177	22,714,712	13,851,811	129,732,654
Inter-segment sales	13,713,896	17,780,406	1,778,034	-	7,832,818	41,105,154
External sales	154,500	20,735,152	39,004,143	22,714,712	6,018,993	88,627,500
Results						
Segment results	(1,750,925)	6,896,207	5,418,040	4,176,578	907,009	15,646,909
Interest expense	(732,219)	(43,554)	(28,433)	(103,238)	(123)	(907,567)
Group's share of result of associates	(3,260,226)	-	-	-	-	(3,260,226)
(Loss)/Profit before taxation	(5,743,370)	6,852,653	5,389,607	4,073,340	906,886	11,479,116
Income tax expense	212,627	(1,808,736)	(1,369,711)	(1,083,600)	(184,534)	(4,233,954)
Profit for the period						<u>7,245,162</u>
Total Assets						
Segment assets	91,788,265	82,389,396	73,699,367	92,187,730	10,572,488	350,637,246
Interests in associates	59,968,658	-	-	-	-	59,968,658
Unallocated corporate assets						<u>12,576,406</u>
Total assets						<u>423,182,310</u>

DKLS INDUSTRIES BERHAD**(Company No. 369472-P)**

(Incorporated in Malaysia)

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 financial year to date.

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 recorded 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	<u>(493,867)</u>
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 30 June	2012 RM
Unsecured:			
Corporate guarantees given to banks for facilities granted to subsidiaries	98,942,997		67,154,038
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	1,786,971		1,208,635
Corporate guarantee given to a bank for facilities granted to third parties in connection with projects to be performed by a subsidiary	-		2,300,000
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>175,769,968</u>		<u>70,662,673</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
(Company No. 369472-P)
(Incorporated in Malaysia)

A13. Related Party Disclosures

Significant related party transactions are as follows:

	Current Quarter 3 months ended 30 June		Cumulative Quarter year-to-date 6 months ended 30 June	
	2013	2012	2013	2012
	RM	RM	RM	RM
Supply of electricity by Ipoh Tower Sdn Bhd	(12,521)	(12,298)	(25,507)	(25,118)
Sale of materials to :				
Yu Marketing Sdn Bhd	-	-	-	2,580
Juta Mahsuri Sdn Bhd	71,904	-	72,677	26,184
Savan-DKLS Water Supply Co Ltd	62,347	-	162,472	-
Purchase of consumables from DKLS Service Station	(20,377)	(31,350)	(41,578)	(56,237)
Rental of building paid to Ding Poi Bor	(15,000)	(15,000)	(30,000)	(30,000)
Rental income received from Arkitek Ding Poi Kooi	2,250	2,250	4,500	4,500

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 30 June 2013 RM
Approved and contracted for: Property, plant and equipment	<u>233,000</u>
Approved but not contracted for: Property, plant and equipment	<u>3,423,018</u>

A15. Operating lease commitments - as lessor

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

	As at 30 June 2013 RM
Not later than 1 year	923,411
Later than 1 year but not later than 5 years	447,249
	<u>1,370,660</u>

DKLS INDUSTRIES BERHAD**(Company No. 369472-P)**

(Incorporated in Malaysia)

B. Additional information required by BMSB's Listing Requirements**B1. Operating Segment Review****(a) Review of Performance for 2Q13 vs 2Q12**

The Group recorded a revenue of RM65.551 million for the second quarter ended 30 June 2013 (2Q13), an increase of RM10.389 million (or 18.8%), as compared to the revenue of RM55.162 million for the corresponding quarter ended 30 June 2012 (2Q12). The pre-tax profit for 2Q13 of RM6.891 million decreased by RM0.279 million (or 3.9%) as compared to pre-tax profit of RM7.170 million for 2Q12. The higher revenue and lower pre-tax profit of the Group can be analysed as below:-

2Q13 vs 2Q12

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	266	(3,687)
Construction	11,498	1,133
Manufacturing	(2,853)	631
Property development	4,865	2,188
Others	(3,387)	(544)
	<u>10,389</u>	<u>(279)</u>

(b) Review of Performance to date for FY13 vs FY12

The Group recorded a revenue of RM123.271 million for the financial year to date ended 30 June 2013 (FY13), an increase of RM34.643 million (or 39.1%), as compared to the revenue of RM88.628 million for the corresponding financial year to date ended 30 June 2012 (FY12). The pre-tax profit for FY13 of RM11.562 million increased by RM0.083 million (or 0.7%) as compared to pre-tax profit of RM11.479 million for FY12. The higher revenue and pre-tax profit of the Group can be analysed as below:-

FY13 vs FY12

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	418	(1,823)
Construction	25,493	(458)
Manufacturing	2,016	520
Property development	11,194	2,605
Others	(4,478)	(761)
	<u>34,643</u>	<u>83</u>

Investment

External revenue of the investment segment is derived mainly from investment properties. The higher revenue recorded in current period under review as compared to corresponding period was mainly due to the one of the subsidiaries which has commenced to derive rental income from its newly acquired property in April 2013.

The investment segment continues to record pre-tax loss in the current period mainly to due unfavourable foreign exchange. Total unrealised loss on foreign exchange accounted for in the current period amounting to RM3.263 million as compared to RM0.427 million in the corresponding period.

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

B1. Operating Segment Review (cont'd.)

Construction

Despite of an increase in revenue, the construction segment recorded a lower pre-tax profit. This was mainly due to an overall lower margin achieved from projects in progress in the current period as compared to higher margin realised from completion of certain projects in the corresponding period.

Manufacturing

The manufacturing segment achieved a pre-tax profit of RM5.910 million (FY12 : RM5.390 million) on a turnover of RM41.020 million (FY12: RM39.004 million), an increase of 5% in revenue and 10% in pre-tax profit respectively as compared to the corresponding period. The higher profit was partially a result of the provision of RM0.430 million for impairment loss on trade and other receivables in the corresponding period. Nevertheless, the manufacturing segment would have achieved a higher profit margin following the cessation of manufacturing of pre-cast products in corresponding period. However, this was offset by an increase in depreciation charges by RM2.181 million as a result of changes in accounting estimates.

Property Development

For the current period under review, the property development segment continues to show improvement with an increase in turnover of RM11.194 million (or 49%) and RM2.605 million in pre-tax profit (or 63%) respectively as compared to the corresponding period. This was substantially due to the increase in development projects and also realisation of profits from the sale of completed properties which yield a better margin.

Others

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

The decline in revenue and pre-tax profit for the current period was mainly due to cessation of income derived from sale of merchantable timbers from the extraction of a timber concession which was completed in the corresponding period.

B2. Variance of Results Against Preceding Quarter

The revenue for 2Q13 increased by RM7.831 million (or 13.6%) as compared to the revenue of RM57.72 million registered in the immediate preceding quarter (1Q13). The Group also recorded an increase in pre-tax profit of RM2.22 million (or 47%) for 2Q13 as compared to the pre-tax profit of RM4.671 million for 1Q13. The higher pre-tax profit margin in 2Q13 was mainly due to lower depreciation charges of RM0.754 million in 2Q13 compared to RM3.076 million in 1Q13 as a result of changes in accounting estimates and significant contribution from the property development segment which yield better margin.

B3. Prospects

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.

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

B4. Income tax expense

	Current Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 June		6 months ended	
	2013	2012	2013	2012
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	2,121,289	3,452,646	4,736,275	4,369,975
Foreign tax	733	265	733	265
Real properties gains tax	-	(2,510)	(3,750)	(1,233)
(Over)/under provision in prior years	(961)	75	(1,716)	75
	<u>2,121,061</u>	<u>3,450,476</u>	<u>4,731,542</u>	<u>4,369,082</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	840,154	(1,015)	(474,629)	(49,390)
Under/(over) provision in prior years	11,148	(85,738)	11,774	(85,738)
	<u>851,302</u>	<u>(86,753)</u>	<u>(462,855)</u>	<u>(135,128)</u>
Income tax expense	<u>2,972,363</u>	<u>3,363,723</u>	<u>4,268,687</u>	<u>4,233,954</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 30 June		Cumulative Quarter year-to-date 6 months ended 30 June	
	2013	2012	2013	2012
	RM	RM	RM	RM
Profit before taxation	6,891,151	7,170,070	11,562,386	11,479,116
Taxation at applicable tax rates	1,722,788	1,792,517	2,890,597	2,869,779
Income not subject to tax	(303,876)	857,839	(726,880)	(206,113)
Expenses not deductible for tax purposes	1,380,403	749,343	1,956,742	1,657,184
Difference in tax rate	163,380	-	120,833	-
Utilisation of previously unrecognised deferred tax assets	-	49,687	-	-
Effect of reversal of real property gains tax	-	-	(3,750)	(2,510)
Deferred tax assets not recognised	(519)	-	21,087	-
Real property gains tax	-	-	-	1,277
(Over)/under provision of current tax in prior years	(961)	75	(1,716)	75
Under/(over) provision of deferred tax in prior years	11,148	(85,738)	11,774	(85,738)
Income tax expense	<u>2,972,363</u>	<u>3,363,723</u>	<u>4,268,687</u>	<u>4,233,954</u>

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 30 June	
	2013	2012
	RM	RM
Short term borrowings		
Hire purchase liabilities (secured)	1,558,016	325,635
Term loans (secured)	2,034,449	2,181,602
Bank overdrafts (unsecured)	6,491,127	8,965,689
Revolving credits (unsecured)	1,800,000	1,800,000
Bankers' acceptances (unsecured)	3,357,456	4,281,883
	<u>15,241,048</u>	<u>17,554,809</u>
Long term borrowings		
Hire purchase liabilities (secured)	562,351	43,445
Term loans (secured)	54,812,755	20,582,426
Non-cumulative redeemable preference shares (unsecured)	13,037,836	12,217,823
	<u>68,412,942</u>	<u>32,843,694</u>
Total borrowings	<u>83,653,990</u>	<u>50,398,503</u>

Borrowings are denominated in the following currencies:

	As at 30 June	
	2013	2012
	RM	RM
Hong Kong Dollar	8,654,169	10,264,567
Ringgit Malaysia	66,343,235	29,964,475
Singapore Dollar	8,656,586	10,169,461
	<u>83,653,990</u>	<u>50,398,503</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 financial year to 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 30 June		Cumulative Quarter 6 months ended 30 June	
	2013	2012	2013	2012
	RM	RM	RM	RM
Profit attributable to owners of the Company	<u>5,620,053</u>	<u>4,824,927</u>	<u>9,150,684</u>	<u>9,078,185</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>
	Sen	Sen	Sen	Sen
Basic earnings per share	<u>6.06</u>	<u>5.20</u>	<u>9.87</u>	<u>9.79</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 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 RM25.649 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)

	Cumulative Quarter 6 months ended 30 June	
	2013	2012
	RM	RM
Total retained profits of the Group		
- Realised profits	257,898,476	229,323,584
- Unrealised losses	(28,574,981)	(17,097,121)
	<u>229,323,495</u>	<u>212,226,463</u>
Total share of accumulated losses from associated companies		
- Realised losses	(16,757,021)	(12,204,735)
- Unrealised losses	(91,681)	(91,681)
	<u>(16,848,702)</u>	<u>(12,296,416)</u>
Less: Consolidated adjustments	<u>(23,399,524)</u>	<u>(28,450,453)</u>
Retained profits as per statement of financial position	<u>189,075,269</u>	<u>171,479,594</u>

By Order of the Board

Cheai Weng Hoong
Chan May Yoke
Company Secretaries

Dated: 19 August 2013