

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter and 6 months ended 30 June 2014 - unaudited**

	Note	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
		2014	2013	2014	2013
		RM	RM	RM	RM
Revenue		43,093,901	65,551,100	93,726,959	123,271,213
Interest income		535,301	322,598	1,586,618	628,703
Other income		1,925,284	775,501	3,711,748	3,030,204
Operating expenses		(33,789,802)	(48,874,749)	(73,471,648)	(94,187,278)
Changes in work-in-progress and finished goods		274,329	121,550	668,857	(487,656)
Employee benefit expenses		(2,652,430)	(2,456,599)	(7,048,012)	(7,027,525)
Administrative expenses		(4,232,206)	(5,891,798)	(6,470,793)	(10,020,345)
Profit from operating activities	A8	5,154,377	9,547,603	12,703,729	15,207,316
Interest expense		(1,417,703)	(632,027)	(2,755,620)	(1,251,866)
Share of loss of associates, net of tax		(234,677)	(2,024,425)	(1,208,967)	(2,393,064)
Profit before tax		3,501,997	6,891,151	8,739,142	11,562,386
Income tax expense		(1,468,092)	(2,972,363)	(3,104,025)	(4,268,687)
Profit for the period, net of tax		2,033,905	3,918,788	5,635,117	7,293,699
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(754,612)	2,292,838	(2,260,713)	2,831,193
(Loss)/gain on fair value changes on available-for-sale investments		(31,121)	16,388	(30,028)	11,275
Share of other comprehensive income of associates		(97,716)	-	(164,094)	121,030
Other comprehensive income for the period, net of tax		(883,449)	2,309,226	(2,454,835)	2,963,498
Total comprehensive income for the period		1,150,456	6,228,014	3,180,282	10,257,197
Profit for the period attributable to:					
Owners of the Company		2,442,760	5,620,053	6,749,951	9,150,684
Non-controlling interests		(408,855)	(1,701,265)	(1,114,834)	(1,856,985)
Profit for the period		2,033,905	3,918,788	5,635,117	7,293,699
Total comprehensive income attributable to:					
Owners of the Company		1,884,522	6,999,591	5,317,345	10,913,681
Non-controlling interests		(734,066)	(771,577)	(2,137,063)	(656,484)
Total comprehensive income for the period		1,150,456	6,228,014	3,180,282	10,257,197
Basic/Diluted, earnings per ordinary share (sen)		2.64	6.06	7.28	9.87

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2013 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 2014 - unaudited**

	30 June 2014 RM	31 December 2013 RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	53,338,987	50,745,579
Land held for property development	97,355,130	95,834,981
Investment properties	117,475,000	118,455,000
Land use rights	197,203	209,596
Investments in associates	57,268,992	60,582,660
Available-for-sale investments	39,222	35,992
Quarry extraction exclusive rights	244,682	535,550
Trade and other receivables	4,376,944	5,122,312
Deferred tax assets	1,362,405	1,329,964
Total non-current assets	331,658,565	332,851,634
Current Assets		
Property development costs	48,077,505	49,752,364
Inventories	40,286,465	37,756,677
Trade and other receivables	54,876,594	44,324,715
Other current assets	7,578,256	15,132,164
Available-for-sale investments	9,777,413	11,605,089
Tax recoverable	493,659	1,577,698
Cash and cash equivalents	85,547,128	83,189,584
Total current assets	246,637,020	243,338,291
Non-current assets classified as held-for-sale	5,759,538	7,477,002
TOTAL ASSETS	584,055,123	583,666,927
EQUITY AND LIABILITIES		
Equity		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	208,133,330	201,383,379
Reserves	4,517,915	5,950,521
Total equity attributable to owners of the Company	314,108,441	308,791,096
Non-controlling interests	8,115,818	10,288,729
Total equity	322,224,259	319,079,825
Non-Current Liabilities		
Loans and borrowings	114,601,086	119,489,202
Deferred tax liabilities	8,525,208	8,729,028
Total non-current liabilities	123,126,294	128,218,230
Current Liabilities		
Loans and borrowings	24,417,550	13,052,529
Trade and other payables	94,549,426	105,550,407
Other current liabilities	18,029,617	15,613,334
Tax payable	1,707,977	2,152,602
Total current liabilities	138,704,570	136,368,872
Total liabilities	261,830,864	264,587,102
TOTAL EQUITY AND LIABILITIES	584,055,123	583,666,927
Net assets per share attributable to owners of the Company (RM)	3.39	3.33

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2013 and the accompanying notes attached to the Interim Financial Statements.

Condensed Consolidated Statement of Changes in Equity
For the 6 months ended 30 June 2014 - unaudited

	Attributable to owners of the Company		Distributable				Total Equity RM
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Fair value adjustment reserve RM	Retained profits RM	
6 months ended 30 June 2014							
Balance at 1 January 2014	92,699,600	8,757,596	4,325,606	1,567,909	57,006	201,383,379	10,288,729
Total comprehensive income for the period	-	-	(1,401,528)	-	(31,078)	6,749,951	(2,137,063)
Dilution from changes in stake, representing total transactions with owners	-	-	-	-	-	-	(35,848)
Balance at 30 June 2014	92,699,600	8,757,596	2,924,078	1,567,909	25,928	208,133,330	8,115,818
6 months ended 30 June 2013							
As previously stated							
Balance at 1 January 2013	92,699,600	8,757,596	(150,019)	1,567,909	38,931	179,924,585	7,412,170
Prior year adjustments	-	-	1,359,384	-	-	-	1,306,074
As restated	92,699,600	8,757,596	1,209,365	1,567,909	38,931	179,924,585	8,718,244
Total comprehensive income for the period	-	-	1,751,531	-	11,466	9,150,684	(656,484)
Dividend paid to non-controlling interests, representing total transactions with owners	-	-	-	-	-	-	(201,465)
Balance at 30 June 2013	92,699,600	8,757,596	2,960,896	1,567,909	50,397	189,075,269	7,860,295

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2013 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (369472 - P)

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**Condensed Consolidated Statement of Cash Flows
For the 6 months ended 30 June 2014 - unaudited**

	Cumulative Quarter 6 months ended 30 June	
	2014	2013
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation :	8,739,142	11,562,386
Adjustment for :-		
Amortisation of land use rights	2,385	2,266
Amortisation of quarry extraction exclusive rights	290,868	44,629
Depreciation	2,495,186	7,313,686
Dividend income from available-for-sale investments	(144,307)	(125,106)
Gain on disposal of available-for-sale investments	(28,509)	(42,726)
Gain on disposal of property, plant and equipment, net	(1,304,041)	(96,542)
Gain on disposal of non-current assets classified as held-for-sale	(442,536)	(12,923)
Interest expense	3,174,678	1,604,423
Interest income	(1,586,618)	(628,703)
Loss on disposal of investment in a subsidiary	-	1,603
Write back of provision for impairment loss on trade and other receivables	(341,121)	(1,239,288)
Property, plant and equipment written off	544	256
Share of loss of associates	1,208,967	2,393,064
Unrealised loss on foreign exchange	(81,450)	3,262,788
Write back of inventories written down	-	(33,939)
Operating profit before changes in working capital	<u>11,983,188</u>	<u>24,005,874</u>
Changes in working capital:-		
Net changes in current assets	(1,077,072)	19,449,756
Net changes in current liabilities	<u>(2,816,805)</u>	<u>68,563,071</u>
Cash flows from operations	8,089,311	112,018,701
Interest paid	(106,493)	(100,504)
Interest received	428,578	273,624
Taxes paid	<u>(2,700,872)</u>	<u>(3,119,110)</u>
Net cash flows from operating activities	<u>5,710,524</u>	<u>109,072,711</u>

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**Condensed Consolidated Statement of Cash Flows
For the 6 months ended 30 June 2014 - unaudited**

	Cumulative Quarter 6 months ended 30 June	
	2014	2013
	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance to associates	(160,000)	(265,000)
Interest received	553,152	310,587
Land held for property development	(2,712,989)	(26,383)
Net dividend received from available-for-sale investments	144,307	125,106
Placement of deposits with maturity period more than 3 months	(8,436,450)	(2,551,870)
Proceeds from disposal of:		
- available-for-sale investments	11,466,887	9,274,015
- investment in a subsidiary	-	(4,867)
- investment property	980,000	245,000
- non-current assets classified as held-for-sale	2,160,000	822,000
- property, plant and equipment	1,431,049	233,923
Purchase of:		
- available-for-sale investments	(9,643,960)	(9,625,405)
- additional shares in associates	(35)	(1)
- additional shares in subsidiary from minority interest	(35,848)	-
- investment properties	-	(93,851,514)
- property, plant and equipment	(2,708,640)	(465,333)
Withdrawal of deposits with maturity period more than 3 months	8,523,812	509,191
Net cash flows from/(used in) investing activities	<u>1,561,285</u>	<u>(95,270,551)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown from term loan	1,489,000	-
Dividend paid to non-controlling interests	-	(201,465)
Interest paid	(2,616,318)	(1,080,562)
Repayment of term loan	(2,782,002)	(1,896,112)
Repayment of hire purchase liabilities	(1,051,506)	(446,594)
Net cash flows used in financing activities	<u>(4,960,826)</u>	<u>(3,624,733)</u>
Net increase in cash and cash equivalents	2,310,983	10,177,427
Effects of exchange rate differences	135,973	315,351
Cash and cash equivalents at beginning of the period	63,362,824	46,627,286
Cash and cash equivalents at end of the period	<u>65,809,780</u>	<u>57,120,064</u>

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**Condensed Consolidated Statement of Cash Flows
For the 6 months ended 30 June 2014 - unaudited**

	Cumulative Quarter 6 months ended 30 June	
	2014	2013
	RM	RM
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:		
Cash and bank balances	20,072,362	21,457,201
Deposits with licensed banks	65,474,766	46,883,626
Deposits with licensed financial institution	-	122,438
Bank overdrafts	-	(6,491,127)
	<u>85,547,128</u>	<u>61,972,138</u>
Less : Deposit pledged for banking facilities	(133,365)	(1,500,110)
Less : Deposit with maturity period more than 3 months	<u>(19,603,983)</u>	<u>(3,351,964)</u>
	<u><u>65,809,780</u></u>	<u><u>57,120,064</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 2013 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD

(Company No. 369472-P)

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A. Notes to the Interim Financial Statements

A1. Basis of Preparation

These interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013. 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 2013.

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 2013 except as follows:

On 1 January 2014, the Group adopted the following applicable new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

Amendments to FRS 132 : Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 10, FRS 12 and FRS 127 : Investment Entities
Amendments to FRS 136 : Recoverable Amount Disclosures for Non-Financial Assets
Amendments to FRS 139 : Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21 : Levies

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

2.2 Malaysian Financial Reporting Standards (MFRS)

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

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

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for 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. Therefore, the MFRS Framework will be applicable to Transitioning Entities with effect from the annual period beginning on 1 January 2014.

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 period beginning on or after 1 January 2015.

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

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 2015.

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 2014 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 2015.

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

There were no changes in estimation that have had any material effect on the current quarter and the financial year to date 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 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 2013, which was approved at the Annual General Meeting on 29 May 2014, was paid on 15 August 2014 to shareholders whose names appear in the Record of Depositors on 25 July 2014.

A8. Profit from operating activities

	Currret Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 June		6 months ended	
2014	2013	2014	2013	
	RM	RM	RM	RM
Amortisation of land use rights	1,171	1,140	2,385	2,266
Amortisation of quarry extraction exclusive rights	11,122	22,315	290,868	44,629
Total depreciation	1,265,138	1,327,794	2,495,186	7,313,686
Depreciation capitalised under construction costs	(450,030)	(574,243)	(857,733)	(3,483,801)
Depreciation charged to profit from operating activities	815,108	753,551	1,637,453	3,829,885
Dividend income from available-for-sale investments	(92,288)	(63,112)	(144,307)	(125,106)
(Gain)/loss on disposal of:				
- available-for-sale investments	(8,330)	(16,807)	(28,509)	(42,726)
- non-current assets classified as held-for-sale	(209,675)	-	(442,536)	(12,923)
- property, plant and equipment, net	(1,131,922)	(58,389)	(1,304,041)	(96,542)
Loss/(gain) on foreign exchange				
- realised	(470,930)	-	(470,930)	7,411
- unrealised	57,175	3,711,172	(81,450)	3,262,788
Loss on disposal of investment in a subsidiary	-	-	-	1,603
Property, plant and equipment written off	543	1	544	256
Write back of inventories written down	-	(33,939)	-	(33,939)
(Write back of)/provision for impairment loss on trade and other receivables	(15,350)	(78,382)	(341,121)	(1,239,288)
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 30 June 2014	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	6,087,159	21,190,324	15,648,494	13,972,635	5,792,451	62,691,063
Inter-segment sales	5,410,478	10,509,288	274,109	-	3,403,287	19,597,162
External sales	676,681	10,681,036	15,374,385	13,972,635	2,389,164	43,093,901
Results						
Segment results	(1,205,727)	1,431,261	2,368,933	2,384,731	175,179	5,154,377
Interest expense	(1,107,973)	(33,428)	(4,110)	(271,745)	(447)	(1,417,703)
Group's share of results of associates	(234,677)	-	-	-	-	(234,677)
(Loss)/profit before taxation	(2,548,377)	1,397,833	2,364,823	2,112,986	174,732	3,501,997
Income tax expense	103,411	(357,036)	(592,279)	(561,133)	(61,055)	(1,468,092)
Profit for the period						2,033,905
Total Assets						
Segment assets	3,277,625	(832,105)	(2,528,005)	(3,956,649)	895,085	(3,144,049)
Interests in associates	(1,013,124)	-	-	-		(1,013,124)
Unallocated corporate assets						5,204,031
Total assets						1,046,858

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

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 result 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	(217,812)					(217,812)
Unallocated corporate assets						<u>(3,934,678)</u>
Total assets						<u>(456,831)</u>

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Cumulative quarter 6 months ended 30 June 2014	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	7,379,134	48,471,096	29,814,580	31,983,945	14,848,975	132,497,730
Inter-segment sales	6,110,503	20,549,557	674,186	-	11,436,525	38,770,771
External sales	1,268,631	27,921,539	29,140,394	31,983,945	3,412,450	93,726,959
Results						
Segment results	(465,213)	3,866,203	4,370,906	4,563,008	368,825	12,703,729
Interest expense	(2,201,289)	(58,334)	(12,708)	(482,842)	(447)	(2,755,620)
Group's share of result of associates	(1,208,932)	-	-	-	(35)	(1,208,967)
(Loss)/Profit before taxation	(3,875,434)	3,807,869	4,358,198	4,080,166	368,343	8,739,142
Income tax expense	171,007	(1,079,143)	(985,757)	(1,070,790)	(139,342)	(3,104,025)
Profit for the period						<u>5,635,117</u>
Total Assets						
Segment assets	158,780,389	87,204,609	73,248,138	179,412,436	10,708,322	509,353,894
Interests in associates	57,268,992					57,268,992
Unallocated corporate assets						<u>17,432,237</u>
Total assets						<u>584,055,123</u>

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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	54,677,897	-	-	-	-	54,677,897
Unallocated corporate assets						<u>17,677,807</u>
Total assets						<u>542,587,981</u>

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A10. Material Subsequent Events

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

A11. Changes in Composition of the Group

On 20 June 2014, the Company acquired the balance of 40,000 ordinary shares of RM1.00 each, representing the balance of 40% equity interest in Gerbang Prisma Sdn Bhd ("Gerbang") for a total cash consideration of RM35,848. Upon completion of the acquisition, Gerbang became a wholly-owned subsidiary of the Company.

The fair values of the identifiable assets and liabilities of Gerbang as at the date of acquisition are as follows:

	Fair value RM
Cash and bank balances	91,121
Accrual	(1,500)
Net identifiable assets	<u>89,621</u>

A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities	As at 30 June	
	2014 RM	2013 RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	172,671,397	98,942,997
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	1,509,600	1,786,971
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>174,180,997</u>	<u>175,769,968</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 2013.

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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	
	2014	2013	2014	2013
	RM	RM	RM	RM
Supply of electricity by Ipoh Tower Sdn Bhd	(17,590)	(12,521)	(37,842)	(25,507)
Service charge by Ipoh Tower Sdn Bhd on rented premises	(1,975)	-	(1,975)	-
Supply of labour to: DKLS Clearwater Sdn Bhd	131,731	-	131,731	-
Sale of materials to :				
Juta Mahsuri Sdn Bhd	221	71,904	64,586	72,677
Savan-DKLS Water Supply Co Ltd	213,900	62,347	213,900	162,472
Purchase of consumables from DKLS Service Station	(25,855)	(20,377)	(48,453)	(41,578)
Rental of building paid to :				
Ding Poi Bor	(15,000)	(15,000)	(30,000)	(30,000)
Ipoh Tower Sdn Bhd	(16,200)	-	(32,400)	-
Rental income received from :				
Arkitek Ding Poi Kooi	-	2,250	2,250	4,500
Savan-DKLS Water Supply Co Ltd	9,174	-	23,240	-

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 2014 RM
Approved and contracted for: Property, plant and equipment	<u>6,114,530</u>

A15. Operating lease commitments - as lessor

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

	As at 30 June 2014 RM
Not later than 1 year	2,465,130
Later than 1 year but not later than 5 years	1,008,868
	<u>3,473,998</u>

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B. Additional information required by BMSB's Listing Requirements**B1. Operating Segment Review****(a) Review of Performance for 2Q14 vs 2Q13**

The Group recorded a revenue of RM43.094 million for the second quarter ended 30 June 2014 (2Q14), a decrease of RM22.457 million (or 34.2%), as compared to the revenue of RM65.551 million for the corresponding quarter ended 30 June 2013 (2Q13). The pre-tax profit for 2Q14 of RM3.502 million decreased by RM3.389 million (or 49.2%) as compared to pre-tax profit of RM6.891 million for 2Q13. The lower revenue and pre-tax profit of the Group can be analysed as below:-

2Q14 vs 2Q13

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	334	3,865
Construction	(15,621)	(2,924)
Manufacturing	(4,377)	(2,011)
Property development	(4,430)	(2,325)
Others	1,637	6
	<u>(22,457)</u>	<u>(3,389)</u>

(b) Review of Performance to date for FY14 vs FY13

The Group recorded a revenue of RM93.727 million for the financial year to date ended 30 June 2014 (FY14), a decrease of RM29.544 million (or 24.0%), as compared to the revenue of RM123.271 million for the corresponding financial year to date ended 30 June 2013 (FY13). The pre-tax profit for FY14 of RM8.739 million decreased by RM2.823 million (or 24.4%) as compared to pre-tax profit of RM11.562 million for FY13. The lower revenue and pre-tax profit of the Group can be analysed as below:-

FY14 vs FY13

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	695	3,691
Construction	(18,307)	(2,587)
Manufacturing	(11,879)	(1,552)
Property development	(1,925)	(2,597)
Others	1,872	222
	<u>(29,544)</u>	<u>(2,823)</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 higher occupancy rate at the new office tower acquired by a subsidiary in January 2013 which commenced generating rental income in 2nd quarter 2013.

The investment segment recorded a lower pre-tax loss in the current period mainly due to strengthening of Ringgit. Total gain on foreign exchange accounted for in the current period amounting to RM0.669 million as compared to loss on foreign exchange of RM3.373 million in the corresponding period. The decrease in pre-tax loss was also due to lower share of losses in associates. However, the improve in the result has been partially off-set by the increase in finance costs of RM1.509 million.

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

B1. Operating Segment Review (cont'd.)

Construction

For the current period under review, the construction segment recorded a lower pre-tax profit as a result of lower turnover. On an overall margin year to date, the construction segment also recorded a lower margin from its on going projects mainly due to the stiff competition in the construction industry.

Manufacturing

The manufacturing segment recorded a pre-tax profit of RM4.358 million (FY13 : RM5.910 million) on a turnover of RM29.140 million (FY12: RM41.020 million), a decrease of 29% in revenue and 26% in pre-tax profit respectively as compared to the corresponding period. The manufacturing segment recorded a lower profit as a result of lower turnover achieved. However, the profit margin for the current period under review was slightly higher as compared to the corresponding period profit margin due to high depreciation charges charged out in the corresponding period as a result of revision of depreciation estimates.

Property Development

For the current period under review, the property development segment recorded a 39% decrease in pre-tax profit as compared to the corresponding period. The decrease in pre-tax profit was mainly due to decrease in turnover and lower margin realisation of sale of residential properties under a joint venture development project in the current period as compared to higher margin realisation from sale of completed units in the corresponding period.

Others

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

B2. Variance of Results Against Preceding Quarter

The revenue for 2Q14 decreased by RM7.539 million (or 14.9%) as compared to the revenue of RM50.633 million registered in the immediate preceding quarter (1Q14). The Group also recorded a decrease in pre-tax profit of RM1.735 million (or 33.1%) for 2Q14 as compared to the pre-tax profit of RM5.237 million for 1Q14. The lower pre-tax profit was a result of lower revenue achieved. The profit margin in 2Q14 was consistent with 1Q14 except for the stamp duty of RM1.4m incurred by a subsidiary on its acquisition of investment property in January 2013.

B3. Propects

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

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B4. Income tax expense

	Current Quarter 3 months ended 30 June		Cumulative Quarter year-to-date 6 months ended 30 June	
	2014 RM	2013 RM	2014 RM	2013 RM
Current income tax:				
Malaysia income tax	1,646,875	2,121,289	3,339,015	4,736,275
Foreign tax	1,374	733	1,374	733
Real properties gains tax	-	-	-	(3,750)
(Over)/under provision in prior years	(104)	(961)	(104)	(1,716)
	<u>1,648,145</u>	<u>2,121,061</u>	<u>3,340,285</u>	<u>4,731,542</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	(164,522)	840,154	(279,532)	(474,629)
Under/(over) provision in prior years	(15,531)	11,148	43,272	11,774
	<u>(180,053)</u>	<u>851,302</u>	<u>(236,260)</u>	<u>(462,855)</u>
Income tax expense	<u>1,468,092</u>	<u>2,972,363</u>	<u>3,104,025</u>	<u>4,268,687</u>

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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	
	2014	2013	2014	2013
	RM	RM	RM	RM
Profit before taxation	3,501,997	6,891,151	8,739,142	11,562,386
Taxation at applicable tax rates	875,500	1,722,788	2,184,786	2,890,597
Income not subject to tax	(1,478,068)	(303,876)	(1,951,356)	(726,880)
Expenses not deductible for tax purposes	1,906,409	1,380,403	2,496,422	1,956,742
Difference in tax rate	(877)	163,380	5,733	120,833
Effect of reversal of real property gains tax	-	-	(7,000)	(3,750)
Deferred tax assets not recognised	180,763	(519)	332,272	21,087
Real property gains tax	-	-	-	-
(Over)/under provision of current tax in prior years	(104)	(961)	(104)	(1,716)
Under/(over) provision of deferred tax in prior years	(15,531)	11,148	43,272	11,774
Income tax expense	1,468,092	2,972,363	3,104,025	4,268,687

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.

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B6. Borrowing and Debt Securities

	As at 30 June	
	2014	2013
	RM	RM
Short term borrowings		
Hire purchase liabilities (secured)	2,482,546	1,558,016
Term loans (secured)	11,614,004	2,034,449
Bank overdrafts (unsecured)	-	6,491,127
Revolving credits (unsecured)	4,800,000	1,800,000
Bankers' acceptances (unsecured)	5,521,000	3,357,456
	<u>24,417,550</u>	<u>15,241,048</u>
Long term borrowings		
Hire purchase liabilities (secured)	1,227,697	562,351
Term loans (secured)	99,460,327	54,812,755
Non-cumulative redeemable preference shares (unsecured)	13,913,062	13,037,836
	<u>114,601,086</u>	<u>68,412,942</u>
Total borrowings	<u>139,018,636</u>	<u>83,653,990</u>

Borrowings are denominated in the following currencies:

	As at 30 June	
	2014	2013
	RM	RM
Hong Kong Dollar	-	8,654,169
Ringgit Malaysia	139,018,636	66,343,235
Singapore Dollar	-	8,656,586
	<u>139,018,636</u>	<u>83,653,990</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	
	2014 RM	2013 RM	2014 RM	2013 RM
Profit attributable to owners of the Company	2,442,760	5,620,053	6,749,951	9,150,684
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	2.64	6.06	7.28	9.87

(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 2013 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 RM45.034 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.

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

	Cumulative Quarter 6 months ended 30 June	
	2014	2013
	<u>RM</u>	<u>RM</u>
Total retained profits of the Group		
- Realised profits	273,042,562	257,898,476
- Unrealised losses	<u>(21,672,670)</u>	<u>(28,574,981)</u>
	<u>251,369,892</u>	<u>229,323,495</u>
 Total share of accumulated losses from associated companies		
- Realised losses	(17,377,424)	(16,757,021)
- Unrealised losses	<u>(91,681)</u>	<u>(91,681)</u>
	<u>(17,469,105)</u>	<u>(16,848,702)</u>
 Less: Consolidated adjustments	<u>(25,767,457)</u>	<u>(23,399,524)</u>
 Retained profits as per statement of financial position	<u>208,133,330</u>	<u>189,075,269</u>

By Order of the Board

Cheai Weng Hoong
Company Secretary

Dated : 18 August 2014