

Condensed Consolidated Statement of Comprehensive Income
For the quarter and 6 months ended 30 June 2016 - unaudited

	Note	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
		2016	2015	2016	2015
		RM	RM	RM	RM
Revenue		53,913,659	36,518,994	108,753,938	107,771,734
Interest income		325,742	486,118	905,938	981,414
Other income		1,720,958	1,376,082	2,885,735	5,037,091
Operating expenses		(41,636,306)	(31,119,426)	(86,830,224)	(86,009,503)
Changes in work-in-progress and finished goods		37,200	711,696	1,056,704	788,449
Employee benefit expenses		(2,650,763)	(2,647,904)	(7,478,660)	(7,869,603)
Administrative expenses		(3,319,177)	(2,108,329)	(7,465,869)	(7,179,762)
Profit from operating activities	A8	8,391,313	3,217,231	11,827,562	13,519,820
Interest expense		(1,700,080)	(1,606,621)	(3,349,058)	(3,142,352)
Share of loss of associates, net of tax		(3,757,230)	(512,630)	(1,041,031)	(531,937)
Profit before tax		2,934,003	1,097,980	7,437,473	9,845,531
Income tax expense		(1,508,088)	99,868	(2,374,059)	(2,561,393)
Profit for the period, net of tax		1,425,915	1,197,848	5,063,414	7,284,138
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		150,115	170,333	(404,184)	283,282
Gain on fair value changes on available-for-sale investments		101	6,015	3,542	22,446
Share of other comprehensive income of associates		147,474	4,204,262	(4,824,837)	4,638,272
Other comprehensive income for the period, net of tax		297,690	4,380,610	(5,225,479)	4,944,000
Total comprehensive income for the period		1,723,605	5,578,458	(162,065)	12,228,138
Profit for the period attributable to:					
Owners of the Company		3,579,609	1,582,820	6,616,713	7,877,933
Non-controlling interests		(2,153,694)	(384,972)	(1,553,299)	(593,795)
Profit for the period		1,425,915	1,197,848	5,063,414	7,284,138
Total comprehensive income attributable to:					
Owners of the Company		3,925,822	4,172,846	3,496,720	10,916,953
Non-controlling interests		(2,202,217)	1,405,612	(3,658,785)	1,311,185
Total comprehensive income for the period		1,723,605	5,578,458	(162,065)	12,228,138
Basic/Diluted, earnings per ordinary share (sen)		3.86	1.71	7.14	8.50

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

Condensed Consolidated Statement of Financial Position
As at 30 June 2016 - unaudited

	30 June 2016 RM	31 December 2015 RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	80,215,174	76,845,323
Land held for property development	124,989,361	123,647,688
Investment properties	119,650,000	119,650,000
Investments in associates	67,301,887	73,570,955
Available-for-sale investments	38,271	34,694
Quarry extraction exclusive right	312,404	357,034
Trade and other receivables	10,797,063	10,775,702
Deferred tax assets	1,829,411	1,590,275
Total non-current assets	<u>405,133,571</u>	<u>406,471,671</u>
Current Assets		
Property development costs	24,890,376	30,956,963
Inventories	50,031,790	46,093,237
Trade and other receivables	65,940,916	71,003,201
Other current assets	7,671,382	1,934,952
Available-for-sale investments	25,332,359	15,909,838
Tax recoverable	3,370,375	2,303,066
Cash and cash equivalents	58,256,254	72,918,368
Total current assets	<u>235,493,452</u>	<u>241,119,625</u>
TOTAL ASSETS	<u>640,627,023</u>	<u>647,591,296</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	249,398,111	242,781,398
Reserves	10,231,478	13,351,471
Total equity attributable to owners of the Company	<u>361,086,785</u>	<u>357,590,065</u>
Non-controlling interests	7,669,261	11,328,046
Total equity	<u>368,756,046</u>	<u>368,918,111</u>
Non-Current Liabilities		
Loans and borrowings	110,468,137	118,745,456
Deferred tax liabilities	6,940,999	6,991,704
Total non-current liabilities	<u>117,409,136</u>	<u>125,737,160</u>
Current Liabilities		
Loans and borrowings	21,750,898	27,128,027
Trade and other payables	103,015,746	103,412,953
Other current liabilities	28,348,517	21,169,540
Tax payable	1,346,680	1,225,505
Total current liabilities	<u>154,461,841</u>	<u>152,936,025</u>
Total liabilities	<u>271,870,977</u>	<u>278,673,185</u>
TOTAL EQUITY AND LIABILITIES	<u>640,627,023</u>	<u>647,591,296</u>
Net assets per share attributable to owners of the Company (RM)	<u>3.90</u>	<u>3.86</u>

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

**Condensed Consolidated Statement of Changes in Equity
For 6 months ended 30 June 2016 - unaudited**

	Attributable to owners of the Company						Total RM		
	Non distributable			Distributable					
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Relating to assets held for sale RM	Asset revaluation reserve RM	Fair value adjustment reserve RM	Retained profits RM	Non- controlling Interests RM	Total Equity RM
6 months ended 30 June 2016									
Balance at 1 January 2016	92,699,600	8,757,596	12,161,042	-	1,157,522	32,907	242,781,398	11,328,046	368,918,111
Total comprehensive income for the period	-	-	(3,122,330)	-	-	2,337	6,616,713	(3,658,785)	(162,065)
Balance at 30 June 2016	92,699,600	8,757,596	9,038,712	-	1,157,522	35,244	249,398,111	7,669,261	368,756,046
6 months ended 30 June 2015									
Balance at 1 January 2015	92,699,600	8,757,596	3,797,351	741,905	1,157,522	8,588	219,985,894	8,268,986	335,417,442
Adjustment arising from reclassification of non-current assets classified as held for sale Restated	-	-	1,241,758	-	-	-	689,351	1,855,379	3,786,488
Total comprehensive income for the period	-	-	5,039,109	741,905	1,157,522	8,588	220,675,245	10,124,365	339,203,930
Transaction with owners: Changes in equity interests in a subsidiary	-	-	2,847,919	169,739	-	21,362	7,877,933	1,311,185	12,228,138
Disposal of a subsidiary	-	-	296,521	(911,644)	-	-	997,823	(1,087,823)	(90,000)
Balance at 30 June 2015	92,699,600	8,757,596	8,183,549	-	1,157,522	29,950	229,551,001	9,373,552	349,752,770

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

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows
For the 6 months ended 30 June 2016 - unaudited**

	Cumulative Quarter 6 months ended 30 June	
	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation :	7,437,473	9,845,531
Adjustment for :-		
Amortisation of land use rights	-	1,324
Amortisation of quarry extraction exclusive right	44,630	44,630
Bad debts written off	300	13,155
Depreciation	4,463,215	3,666,533
Dividend income from available-for-sale investments	(50,211)	(29,042)
(Gain)/Loss on disposal of available-for-sale investments	(2,367)	1,467
Gain on disposal of investment in a subsidiary	-	(38,613)
Gain on disposal of non-current assets classified as held for sale	-	(795,616)
Gain on disposal of property, plant and equipment, net	(399,996)	(816,592)
Interest expense	3,500,839	3,937,780
Interest income	(905,938)	(981,414)
Provision for impairment loss on trade and other receivables	-	2,096,584
Property, plant and equipment written off	-	8,110
Share of loss of associates	1,041,031	531,937
Unrealised loss/(gain) on foreign exchange	904,293	(1,562,113)
Operating profit before changes in working capital	16,033,269	15,923,661
Changes in working capital:-		
Net changes in current assets	1,351,064	(4,475,011)
Net changes in current liabilities	4,605,260	(616,076)
Cash flows from operations	21,989,593	10,832,574
Interest paid	(170,616)	(232,220)
Interest received	511,664	308,797
Taxes paid	(3,610,033)	(3,707,280)
Net cash flows from operating activities	18,720,608	7,201,871

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Cash Flows (cont'd.)**For the 6 months ended 30 June 2016 - unaudited**

	Cumulative Quarter 6 months ended 30 June	
	2016 RM	2015 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
- Advance to associates	39	10,000
Interest received	372,914	652,653
Land held for property development	(1,341,673)	(1,336,462)
Net dividend received from available-for-sale investments	50,211	29,042
Placement of deposits with maturity period more than 3 months	(212,357)	(360,507)
Proceeds from disposal of:		
- available-for-sale investments	8,493,246	5,843,421
- investment in a subsidiary	-	1,372,666
- non-current assets classified as held for sale	-	4,149,616
- property, plant and equipment	400,000	1,168,000
Purchase of:		
- available-for-sale investments	(17,913,435)	(1,527,658)
- additional shares in subsidiary	-	(90,000)
- property, plant and equipment	(3,635,751)	(4,004,137)
Withdrawal of deposits with maturity period more than 3 months	9,033,271	11,727,704
Net cash flows (used in)/from investing activities	<u>(4,753,535)</u>	<u>17,634,338</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loan	-	1,700,201
Interest paid	(2,815,433)	(3,223,262)
Repayment of term loan	(10,204,011)	(4,922,302)
Repayment of hire purchase liabilities	(5,986,036)	(4,297,362)
Net cash flows used in financing activities	<u>(19,005,480)</u>	<u>(10,742,725)</u>
Net (decrease)/increase in cash and cash equivalents	(5,038,407)	14,093,484
Effects of exchange rate differences	(758,480)	231,579
Cash and cash equivalents at beginning of the period	63,249,267	64,403,720
Cash and cash equivalents at end of the period	<u>57,452,380</u>	<u>78,728,783</u>

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Cash Flows (cont'd.)**For the 6 months ended 30 June 2016 - unaudited**

	Cumulative Quarter 6 months ended 30 June	
	2016 RM	2015 RM
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:		
Cash and bank balances	23,502,203	19,403,424
Deposits with licensed banks	34,754,051	67,363,221
Deposits with licensed financial institution	-	1,681,343
	<u>58,256,254</u>	<u>88,447,988</u>
Less:		
Deposit pledged for banking facilities	-	(137,566)
Deposits with maturity period more than 3 months	(803,874)	(9,581,639)
	<u>57,452,380</u>	<u>78,728,783</u>

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

A. Notes to the Interim Financial Statements

A1. Basis of Preparation

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

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

A2. Significant Accounting Policies

2.1 Changes in Accounting Policies

The significant accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those of the Group's consolidated audited financial statements for the year ended 31 December 2015 except as follows:

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

Annual Improvements to FRSs 2012-2014 Cycle
Amendments to FRS 10, FRS 12 and FRS 128 : Investment Entities : Applying the Consolidation Exception
Amendments to FRS 101 : Disclosure Initiatives
Amendments to FRS 116 and FRS 138 : Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127 : Consolidated and Separate Financial Statements : Equity Method in Separate Financial Statements

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

2.2 Malaysian Financial Reporting Standards (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.

A2. Significant Accounting Policies (cont'd.)

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

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

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

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

In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

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 2016 could be different if prepared under the MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

A3. Seasonal or Cyclical Factors

The business operations of the Group were not affected by any significant seasonal or cyclical factors.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the 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 2015, which was approved at the Annual General Meeting on 23 May 2016, was paid on 18 August 2016 to shareholders whose names appear in the Record of Depositors on 29 July 2016.

A8. Profit from operating activities

	Curret Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 June		6 months ended	
2016	2015	2016	2015	
RM	RM	RM	RM	
Amortisation of land use right	-	-	-	1,324
Amortisation of quarry extraction exclusive right	22,315	22,315	44,630	44,630
Bad debts written off	-	13,155	300	13,155
Total depreciation	2,279,394	1,957,367	4,463,215	3,666,533
Depreciation capitalised under construction costs	(548,831)	(1,207,468)	(1,596,019)	(2,113,474)
Depreciation charged to profit from operating activities	1,730,563	749,899	2,867,196	1,553,059
Dividend income from available-for-sale investments	(16,969)	(7,811)	(50,211)	(29,042)
(Gain)/loss on disposal of :				
- available-for-sale investments	(3,839)	(185)	(2,367)	1,467
- investment in a subsidiary	-	-	-	(38,613)
- non-current assets classified as held for sale	-	-	-	(795,616)
- property, plant and equipment, net	(109,999)	-	(399,996)	(816,592)
(Gain)/loss on foreign exchange				
- realised	283,443	(20,227)	461,613	(20,268)
- unrealised	(633,329)	(910,195)	904,293	(1,562,113)
Property, plant and equipment written off	-	1	-	8,110
(Write back of provision)/Provision for impairment loss on trade and other receivables	-	(16,002)	-	2,096,584
Gain on derivatives	N/A	N/A	N/A	N/A

A9. Segmental reporting

Business Segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment.

Current Quarter 3 months ended 30 June 2016	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	6,789,588	27,967,368	17,232,458	8,305,503	3,405,673	63,700,590
Inter-segment sales	5,111,808	4,227,172	32,625	-	415,326	9,786,931
External sales	1,677,780	23,740,196	17,199,833	8,305,503	2,990,347	53,913,659
Results						
Segment results	1,291,717	1,481,190	3,810,520	1,544,749	263,137	8,391,313
Interest expense	(1,100,876)	(151,423)	(27,235)	(420,133)	(413)	(1,700,080)
Group's share of results of associates	(3,757,230)	-	-	-	-	(3,757,230)
(Loss)/Profit before taxation	(3,566,389)	1,329,767	3,783,285	1,124,616	262,724	2,934,003
Income tax expense	3,803	(297,606)	(911,575)	(298,543)	(4,167)	(1,508,088)
Profit for the period						1,425,915
Total Assets						
Segment assets	(14,319,096)	15,601,725	2,039,959	(441,558)	744,365	3,625,395
Interests in associates	(3,459,598)	-	-	-	-	(3,459,598)
Unallocated corporate assets						8,789,365
Total assets						8,955,162

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 2015	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	1,478,559	20,179,274	14,252,274	5,446,496	2,683,494	44,040,097
Inter-segment sales	83,136	5,859,321	471,635	-	1,107,011	7,521,103
External sales	1,395,423	14,319,953	13,780,639	5,446,496	1,576,483	36,518,994
Results						
Segment results	1,673,910	(185,018)	1,736,046	(478,624)	470,917	3,217,231
Interest expense	(1,156,904)	(46,934)	(29,457)	(369,408)	(3,918)	(1,606,621)
Group's share of result of associates	(512,630)	-	-	-	-	(512,630)
Profit/(Loss) before taxation	4,376	(231,952)	1,706,589	(848,032)	466,999	1,097,980
Income tax expense	35,051	239,870	(420,693)	116,207	129,433	99,868
Profit for the period						1,197,848
Total Assets						
Segment assets	(1,175,880)	4,782,819	1,776,425	(14,840,120)	1,107,920	(8,348,836)
Interests in associates	62,267,258	-	-	-	-	62,267,258
Unallocated corporate assets						(53,612,297)
Total assets						306,125

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 2016	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	8,556,668	63,968,023	27,683,306	18,703,488	5,080,378	123,991,863
Inter-segment sales	5,194,944	9,386,208	129,926	-	526,847	15,237,925
External sales	3,361,724	54,581,815	27,553,380	18,703,488	4,553,531	108,753,938
Results						
Segment results	759,438	2,598,728	5,418,023	2,749,615	301,758	11,827,562
Interest expense	(2,201,599)	(203,333)	(65,204)	(877,990)	(932)	(3,349,058)
Group's share of result of associates	(1,041,031)	-	-	-	-	(1,041,031)
(Loss)/Profit before taxation	(2,483,192)	2,395,395	5,352,819	1,871,625	300,826	7,437,473
Income tax expense	63,849	(611,437)	(1,298,053)	(521,025)	(7,393)	(2,374,059)
Profit for the period						5,063,414
Total Assets						
Segment assets	144,087,752	140,246,830	64,425,183	186,910,246	7,084,709	542,754,720
Interests in associates	67,301,887	-	-	-	-	67,301,887
Unallocated corporate assets						30,570,416
Total assets						640,627,023

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Cumulative Quarter 6 months ended 30 June 2015	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	8,580,936	60,951,141	29,831,197	39,486,102	11,566,077	150,415,453
Inter-segment sales	6,083,870	28,383,502	788,302	-	7,388,045	42,643,719
External sales	2,497,066	32,567,639	29,042,895	39,486,102	4,178,032	107,771,734
Results						
Segment results	3,257,322	2,293,954	4,337,495	4,829,284	(1,198,235)	13,519,820
Interest expense	(2,303,769)	(90,544)	(50,342)	(690,483)	(7,214)	(3,142,352)
Group's share of result of associates	(531,937)	-	-	-	-	(531,937)
Profit/(Loss) before taxation	421,616	2,203,410	4,287,153	4,138,801	(1,205,449)	9,845,531
Income tax expense	92,812	(385,359)	(1,099,516)	(1,169,469)	139	(2,561,393)
Profit for the period						7,284,138
Total Assets						
Segment assets	163,541,430	112,196,464	75,223,002	192,905,079	5,726,893	549,592,868
Interests in associates	68,198,961					68,198,961
Unallocated corporate assets						4,989,928
Total assets						622,781,757

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

There are no changes in the composition of the Group for the financial year to date.

A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities

	As at 30 June	
	2016 RM	2015 RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	185,075,228	187,046,343
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	1,223,232	770,872
	186,298,460	187,817,215

The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not recognized the value of the obligation under the financial guarantee in the statement of financial position.

(b) Contingent Assets

There were no contingent assets since 31 December 2015.

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

A13. Related Party Disclosures

Significant related party transactions are as follows:

	Current Quarter 3 months ended 30 June		Cumulative Quarter year-to-date 6 months ended 30 June	
	2016	2015	2016	2015
	RM	RM	RM	RM
Architect fees paid to Arkitek Ding Poi Kooi	-	(103,880)	(241,330)	(155,820)
Hire of motor vehicles/machinery from Savan-DKLS Water Supply Co Ltd	13,500	13,500	46,613	114,132
Progress billings to:				
Ding Ju Shuen	-	313,380	-	313,380
Ding Zhe Lin	-	313,380	-	313,380
Purchase of consumables from DKLS Service Station	(12,506)	(20,142)	(28,558)	(42,746)
Rental of building paid to:				
Ding Poi Bor	(15,000)	(6,000)	(30,000)	(12,000)
Ipoh Tower Sdn Bhd	(13,200)	(13,200)	(26,400)	(26,400)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(7,160)	(1,700)	(14,110)	(2,900)
Sale of materials to Savan-DKLS Water Supply Co Ltd	-	1,016,938	-	2,573,814
Service charge by Ipoh Tower Sdn Bhd on rented premises	-	-	-	(1,221)
Supply of electricity by Ipoh Tower Sdn Bhd	(21,940)	(20,836)	(43,859)	(42,065)
Supply of labour to:				
DKLS Clearwater Sdn Bhd	-	-	-	128,134
Savan-DKLS Water Supply Co Ltd	-	362	-	362

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 2016 RM
Approved and contracted for: Property, plant and equipment	<u>3,617,839</u>

A15. Operating lease commitments - as lessor

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

	As at 30 June 2016 RM
Not later than 1 year	5,950,390
Later than 1 year but not later than 5 years	<u>3,245,606</u>
	<u>9,195,996</u>

B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

(a) Review of Performance for 2Q16 vs 2Q15

The Group recorded revenue of RM53.914 million for the second quarter ended 30 June 2016 (2Q16), an increase of RM17.395 million (or 47.6%), as compared to the revenue of RM36.519 million for the corresponding quarter ended 30 June 2015 (2Q15). The pre-tax profit for 2Q16 of RM2.934 million also increased by RM1.836 million (or 167%) as compared to the pre-tax profit of RM1.098 million for 2Q15. The higher revenue and pre-tax profit of the Group can be analysed as below:-

2Q16 vs 2Q15 Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	283	(3,571)
Construction	9,420	1,562
Manufacturing	3,419	2,077
Property development	2,859	1,972
Others	1,414	(204)
	<u>17,395</u>	<u>1,836</u>

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

The Group recorded revenue of RM108.754 million for the financial year to date ended 30 June 2016 (FY16), a slight increase of RM0.982 million (or 1%), as compared to the revenue of RM107.772 million for the corresponding financial year to date ended 30 June 2015 (FY15). Despite the higher revenue recorded for FY16, the Group recorded a lower pre-tax profit of RM7.437 million, decreased by RM2.409 million (or 24.5%) as compared to the pre-tax profit of RM9.846 million for FY15. The higher revenue and lower pre-tax profit of the Group can be analysed as below:-

FY16 vs FY15 Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	865	(2,905)
Construction	22,014	192
Manufacturing	(1,490)	1,065
Property development	(20,783)	(2,267)
Others	376	1,506
	<u>982</u>	<u>(2,409)</u>

B1. Operating Segment Review (cont'd.)

Investment

External revenue of the investment segment is derived mainly from investment properties.

The investment segment continue to record a higher revenue for the current financial year to date as revenue generated from 100% occupied floor space has been recognised since 4Q15 as compared to 92% occupancy in the previous year corresponding period.

Despite a higher revenue recorded for the current financial year to date, the investment segment showed a pre-tax loss of RM2.483 million as compared to the pre-tax profit of RM0.422 million in the previous year corresponding period. This was mainly due to the loss on foreign exchange of RM1.123 million (FY15 : gain on foreign exchange of RM0.741 million) and coupled with an increase in share of loss in associated companies of RM1.041 million versus RM0.532 million in FY15. Included in the previous year corresponding period's pre-tax profit was also a gain arising from disposal of investment amounted to RM0.834 million. If all these were excluded from pre-tax loss, the investment segment recorded a lower pre-tax loss of RM0.320 million as compared to the loss of RM0.621 million for the previous year corresponding period, which was an improvement of the previous year's results.

Construction

The construction segment has recorded a higher turnover of RM54.582 million for the current financial year to date as compared to RM32.568 million for the previous year corresponding period.

Even though the construction segment recorded a higher revenue, this was not reflected in pre-tax profit as it was affected by the fluctuation in foreign exchange. For the current financial year to date, the loss on foreign exchange recognised amounted to RM0.243 as compared to the gain on foreign exchange of RM0.821 million in FY15. If this was excluded from pre-tax profit, the construction segment's overall profit margin remained the same level.

Manufacturing

For the current financial year to date, the manufacturing segment has achieved a higher pre-tax profit of RM5.353 million (FY15 : RM4.287 million) on a lower turnover of RM27.553 million (FY15 : RM29.043). The improved overall margin was due to the drop by more than 50% in petroleum products price for premix products as bitumen was the major raw material component for its premix products.

Property Development

The property development segment continue to record a lower pre-tax profit of RM1.872 million (FY15 : RM4.139 million) on the back of lower turnover of RM18.703 million (FY15 : RM39.486 million) for the current financial year to date.

For 2Q16 under review, the contribution was mainly from the sales of completed commercial properties from a matured scheme which yielded a better margin. With these sales, the property development segment has maintained a consistent margin for the current financial year to date as compared to the previous year corresponding period.

B1. Operating Segment Review (cont'd.)

Others

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

This segment showed a pre-tax profit of RM0.300 million instead of pre-tax loss of RM1.205 million in the previous year corresponding period was mainly due to the provision of impairment loss on trade receivables of RM2.122 million in the previous year corresponding period.

This segment registered a lower profit margin mainly due to the current financial year to date sales derived from local sales instead of overseas sales achieved in the previous year corresponding period which generally yielded higher margin as compared to local sales.

B2. Variance of Results Against Preceding Quarter

The revenue for 2Q16 decreased by 1.7% as compared to the revenue of RM54.840 million registered in the immediate preceding quarter (1Q16). With the lower revenue, the Group recorded lower pre-tax profit of RM2.934 million for 2Q16 as compared to the pre-tax profit of RM4.503 million for 1Q16. The lower pre-tax profit was also resulted from the share of losses in associated companies of RM3.757 million as compared to the share of gain in associated companies of RM2.716 million in 1Q16.

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 profit for the Group to be modest.

B4. Income tax expense

	Current Quarter 3 months ended 30 June		Cumulative Quarter year-to-date 6 months ended 30 June	
	2016 RM	2015 RM	2016 RM	2015 RM
Current income tax:				
Malaysia income tax	1,791,977	176,802	2,678,532	2,827,722
Over provision in prior year	(14,633)	(4,512)	(14,633)	(4,512)
	<u>1,777,344</u>	<u>172,290</u>	<u>2,663,899</u>	<u>2,823,210</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	(278,311)	(275,266)	(292,616)	(206,263)
Under/(Over) provision in prior years	9,055	3,108	2,776	(55,554)
	<u>(269,256)</u>	<u>(272,158)</u>	<u>(289,840)</u>	<u>(261,817)</u>
Income tax expense	<u>1,508,088</u>	<u>(99,868)</u>	<u>2,374,059</u>	<u>2,561,393</u>

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

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

B4. Income tax expense (cont'd.)

A reconciliation of income tax expense applicable to profit before 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	
	2016	2015	2016	2015
	RM	RM	RM	RM
Profit before taxation	2,934,003	1,097,980	7,437,473	9,845,531
Taxation at applicable tax rates	1,887,261	274,495	2,968,094	2,461,383
Income not subject to tax	(1,378,614)	(511,080)	(1,577,625)	(2,407,867)
Expenses not deductible for tax purposes	1,128,784	(148,196)	1,147,733	2,198,707
Difference in tax rate of foreign subsidiaries	-	-	-	(23,028)
Difference in tax rate	-	(15,730)	-	48,813
Deferred tax assets not recognised	(67,961)	302,047	(91,754)	343,451
Utilisation of previously unrecognised deferred tax assets	(55,804)	-	(60,532)	-
Over provision of current tax in prior years	(14,633)	(4,512)	(14,633)	(4,512)
Under/(Over) provision of deferred tax in prior years	9,055	3,108	2,776	(55,554)
Income tax expense	1,508,088	(99,868)	2,374,059	2,561,393

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	
	2016	2015
	RM	RM
Short term borrowings		
Hire purchase liabilities (secured)	8,181,894	10,026,579
Term loans (secured)	5,074,004	5,564,004
Revolving credits (unsecured)	2,300,000	1,800,000
Revolving credits (secured)	3,000,000	3,000,000
Bankers' acceptances (unsecured)	3,195,000	6,057,943
	<u>21,750,898</u>	<u>26,448,526</u>
Long term borrowings		
Hire purchase liabilities (secured)	4,314,832	6,771,639
Term loans (secured)	90,308,987	102,282,423
Non-cumulative redeemable preference shares (unsecured)	15,844,318	14,847,226
	<u>110,468,137</u>	<u>123,901,288</u>
Total borrowings	<u>132,219,035</u>	<u>150,349,814</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:

	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
	2016	2015	2016	2015
	RM	RM	RM	RM
Profit attributable to owners of the Company	3,579,609	1,582,820	6,616,713	7,877,933
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	3.86	1.71	7.14	8.50

(b) Diluted

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

B10. Auditors' Report on Preceding Annual Financial Statements

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

B11. Financial Assistance in the Ordinary Course of Business

As at the end of the reporting period, DKLS Construction Sdn Bhd, a wholly-owned subsidiary of the Company, in the ordinary course of business has caused certain financial institutions to issue Performance Bond and Advance Bond guarantees amounting to RM46.3 million on behalf of the main contractors. The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not recognized the value of the obligation under the Financial Guarantee in its books.

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	
	2016	2015
	RM	RM
Total retained profits of the Group		
- Realised profits	312,261,082	290,892,492
- Unrealised losses	(17,055,759)	(16,843,705)
	<u>295,205,323</u>	<u>274,048,787</u>
Total share of accumulated losses from associated companies		
- Realised losses	(17,047,907)	(16,005,655)
	<u>(17,047,907)</u>	<u>(16,005,655)</u>
Less: Consolidated adjustments	<u>(28,759,305)</u>	<u>(28,492,131)</u>
Retained profits as per statement of financial position	<u>249,398,111</u>	<u>229,551,001</u>