

**DKLS INDUSTRIES BERHAD (369472 - P)**  
(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income**  
**For the quarter and 6 months ended 30 June 2017 - unaudited**

	Note	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
		2017	2016	2017	2016
		RM	RM	RM	RM
Revenue		46,749,955	53,913,659	104,984,359	108,753,938
Interest income		431,035	325,742	1,000,613	905,938
Other income		2,014,356	1,720,958	3,913,326	2,885,735
Operating expenses		(33,913,207)	(41,636,306)	(80,291,041)	(86,830,224)
Changes in work-in-progress and finished goods		48,169	37,200	641,726	1,056,704
Employee benefit expenses		(3,245,244)	(2,650,763)	(9,326,467)	(7,478,660)
Administrative expenses		(7,585,921)	(3,319,177)	(12,723,193)	(7,465,869)
<b>Profit from operating activities</b>	<b>A8</b>	<b>4,499,143</b>	<b>8,391,313</b>	<b>8,199,323</b>	<b>11,827,562</b>
Interest expense		(1,176,683)	(1,700,080)	(2,322,453)	(3,349,058)
Share of loss of associates, net of tax		-	(3,757,230)	-	(1,041,031)
<b>Profit before tax</b>		<b>3,322,460</b>	<b>2,934,003</b>	<b>5,876,870</b>	<b>7,437,473</b>
Income tax expense		(1,160,430)	(1,508,088)	(1,298,528)	(2,374,059)
<b>Profit for the period, net of tax</b>		<b>2,162,030</b>	<b>1,425,915</b>	<b>4,578,342</b>	<b>5,063,414</b>
<b>Other comprehensive income, net of tax</b>					
Foreign currency translation differences for foreign operations		(1,096,487)	150,115	(1,589,492)	(404,184)
Gain on fair value changes on available-for-sale investments		8,722	101	34,662	3,542
Share of other comprehensive income of associates		-	147,474	-	(4,824,837)
<b>Other comprehensive income for the period, net of tax</b>		<b>(1,087,765)</b>	<b>297,690</b>	<b>(1,554,830)</b>	<b>(5,225,479)</b>
<b>Total comprehensive income for the period</b>		<b>1,074,265</b>	<b>1,723,605</b>	<b>3,023,512</b>	<b>(162,065)</b>
<b>Profit for the period attributable to:</b>					
Owners of the Company		1,880,640	3,579,609	4,136,548	6,616,713
Non-controlling interests		281,390	(2,153,694)	441,794	(1,553,299)
<b>Profit for the period</b>		<b>2,162,030</b>	<b>1,425,915</b>	<b>4,578,342</b>	<b>5,063,414</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		1,121,821	3,925,822	3,058,566	3,496,720
Non-controlling interests		(47,556)	(2,202,217)	(35,054)	(3,658,785)
<b>Total comprehensive income for the period</b>		<b>1,074,265</b>	<b>1,723,605</b>	<b>3,023,512</b>	<b>(162,065)</b>
Basic/Diluted, earnings per ordinary share (sen)		2.03	3.86	4.46	7.14

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

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

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Financial Position  
As at 30 June 2017 - unaudited**

	30 June 2017 RM	31 December 2016 RM
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	139,567,117	140,582,530
Land held for property development	125,990,640	125,984,915
Investment properties	123,036,812	123,965,000
Available-for-sale investments	50,613	40,952
Quarry extraction exclusive right	223,147	267,776
Trade and other receivables	7,215,193	9,134,949
Deferred tax assets	2,543,994	1,931,427
<b>Total non-current assets</b>	<b>398,627,516</b>	<b>401,907,549</b>
<b>Current Assets</b>		
Property development costs	15,597,653	19,483,040
Inventories	62,619,699	59,579,461
Trade and other receivables	53,244,206	83,450,055
Other current assets	33,591,433	19,376,296
Available-for-sale investments	24,813,352	16,263,632
Tax recoverable	1,127,034	1,861,740
Cash and cash equivalents	47,664,353	50,293,934
<b>Total current assets</b>	<b>238,657,730</b>	<b>250,308,158</b>
<b>TOTAL ASSETS</b>	<b>637,285,246</b>	<b>652,215,707</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	295,030,193	290,893,645
Reserves	1,451,853	2,529,835
<b>Total equity attributable to owners of the Company</b>	<b>397,939,242</b>	<b>394,880,676</b>
<b>Non-controlling interests</b>	<b>9,679,408</b>	<b>9,714,462</b>
<b>Total equity</b>	<b>407,618,650</b>	<b>404,595,138</b>
<b>Non-Current Liabilities</b>		
Loans and borrowings	72,585,935	78,535,996
Other payables	6,833,724	7,246,508
Deferred tax liabilities	2,422,708	2,457,340
<b>Total non-current liabilities</b>	<b>81,842,367</b>	<b>88,239,844</b>
<b>Current Liabilities</b>		
Loans and borrowings	22,115,564	25,453,083
Trade and other payables	90,362,867	101,393,256
Other current liabilities	34,553,901	31,675,551
Tax payable	791,897	858,835
<b>Total current liabilities</b>	<b>147,824,229</b>	<b>159,380,725</b>
<b>Total liabilities</b>	<b>229,666,596</b>	<b>247,620,569</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>637,285,246</b>	<b>652,215,707</b>
Net assets per share attributable to owners of the Company (RM)	4.29	4.26

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

**Condensed Consolidated Statement of Changes in Equity**  
**For 6 months ended 30 June 2017 - unaudited**

	←		Attributable to owners of the Company				→		Total Equity RM
	Share capital RM	Share premium RM	Non distributable		Distributable		Total RM	Non- controlling Interests RM	
			Foreign currency translation reserve RM	Asset revaluation reserve RM	Fair value adjustment reserve RM	Retained profits RM			
<b>6 months ended 30 June 2017</b>									
<b>Balance at 1 January 2017</b>	92,699,600	8,757,596	1,364,574	1,157,522	7,739	290,893,645	394,880,676	9,714,462	404,595,138
Total comprehensive income for the period	-	-	(1,112,644)	-	34,662	4,136,548	3,058,566	(35,054)	3,023,512
<b>Balance at 30 June 2017</b>	<u>92,699,600</u>	<u>8,757,596</u>	<u>251,930</u>	<u>1,157,522</u>	<u>42,401</u>	<u>295,030,193</u>	<u>397,939,242</u>	<u>9,679,408</u>	<u>407,618,650</u>
<b>6 months ended 30 June 2016</b>									
<b>Balance at 1 January 2016</b>	92,699,600	8,757,596	12,161,042	1,157,522	32,907	242,781,398	357,590,065	11,328,046	368,918,111
Total comprehensive income for the period	-	-	(3,122,330)	-	2,337	6,616,713	3,496,720	(3,658,785)	(162,065)
<b>Balance at 30 June 2016</b>	<u>92,699,600</u>	<u>8,757,596</u>	<u>9,038,712</u>	<u>1,157,522</u>	<u>35,244</u>	<u>249,398,111</u>	<u>361,086,785</u>	<u>7,669,261</u>	<u>368,756,046</u>

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

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

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows  
For the 6 months ended 30 June 2017 - unaudited**

	<b>Cumulative Quarter 6 months ended 30 June</b>	
	<b>2017 RM</b>	<b>2016 RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation :	5,876,870	7,437,473
Adjustment for :-		
Amortisation of quarry extraction exclusive right	44,629	44,630
Bad debts written off	-	300
Depreciation	6,225,492	4,463,215
Dividend income from available-for-sale investments	(440,001)	(50,211)
Gain on disposal of available-for-sale investments	(27,940)	(2,367)
Gain on disposal of investment properties	(238,922)	-
Gain on disposal of property, plant and equipment, net	(275,396)	(399,996)
Interest expense	2,379,277	3,500,839
Interest income	(1,000,613)	(905,938)
Write back of impairment loss on trade and other receivables	(8,703)	-
Property, plant and equipment written off	324,462	-
Share of loss of associates	-	1,041,031
Unrealised loss on foreign exchange	2,143,848	904,293
Operating profit before changes in working capital	<u>15,003,003</u>	<u>16,033,269</u>
Changes in working capital:-		
Net changes in current assets	17,263,646	1,351,064
Net changes in current liabilities	<u>(4,849,829)</u>	<u>4,605,260</u>
Cash flows from operations	27,416,820	21,989,593
Interest paid	(205,568)	(170,616)
Interest received	550,894	511,664
Taxes paid	<u>(1,253,462)</u>	<u>(3,610,033)</u>
Net cash flows from operating activities	<u>26,508,684</u>	<u>18,720,608</u>

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

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)****For the 6 months ended 30 June 2017 - unaudited**

	<b>Cumulative Quarter 6 months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advance to associates	-	39
Interest received	426,862	372,914
Land held for property development	(5,725)	(1,341,673)
Net dividend received from available-for-sale investments	440,001	50,211
Placement of deposits with maturity period more than 3 months	(1,320,779)	(212,357)
Proceeds from disposal of:		
- available-for-sale investments	33,286,931	8,493,246
- investment properties	1,173,210	-
- property, plant and equipment	1,115,528	400,000
Purchase of:		
- available-for-sale investments	(41,783,709)	(17,913,435)
- investment properties	(6,100)	-
- property, plant and equipment	(6,498,500)	(3,635,751)
Withdrawal of deposits with maturity period more than 3 months	186,125	9,033,271
Net cash flows used in investing activities	<u>(12,986,156)</u>	<u>(4,753,535)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(2,173,707)	(2,815,433)
Repayment of term loan	(8,683,930)	(10,204,011)
Repayment of hire purchase liabilities	(3,779,365)	(5,986,036)
Net cash flows used in financing activities	<u>(14,637,002)</u>	<u>(19,005,480)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,114,474)</b>	<b>(5,038,407)</b>
<b>Effects of exchange rate differences</b>	<b>1,016,237</b>	<b>(758,480)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>35,122,343</b>	<b>63,249,267</b>
<b>Cash and cash equivalents at end of the period</b>	<b><u>35,024,106</u></b>	<b><u>57,452,380</u></b>

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

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)****For the 6 months ended 30 June 2017 - unaudited**

	<b>Cumulative Quarter 6 months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:		
Cash and bank balances	17,857,279	23,502,203
Deposits with licensed banks	29,807,074	34,754,051
	<u>47,664,353</u>	<u>58,256,254</u>
Less:		
Bank overdrafts	(1,971,239)	-
Deposits with maturity period more than 3 months	(10,669,008)	(803,874)
	<u>35,024,106</u>	<u>57,452,380</u>

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

**A. Notes to the Interim Financial Statements**

**A1. Basis of Preparation**

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

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

**A2. Significant Accounting Policies**

**2.1 Changes in Accounting Policies**

The significant accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those of the Group's consolidated audited financial statements for the year ended 31 December 2016 except as follows:

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

FRS 107 : Disclosures Initiatives (Amendments to FRS 107)

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

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

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

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

**A8. Profit from operating activities**

	Individual Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 June		6 months ended	
2017	2016	2017	2016	
	RM	RM	RM	RM
The following items have been included in arriving at profit from operating activities:				
Amortisation of quarry extraction exclusive right	22,313	22,315	44,629	44,630
Bad debts written off	-	-	-	300
Total depreciation	3,035,862	2,279,394	6,225,492	4,463,215
Depreciation capitalised under construction costs	(411,827)	(548,831)	(883,273)	(1,596,019)
Depreciation charged to profit from operating activities	2,624,035	1,730,563	5,342,219	2,867,196
Dividend income from available-for-sale investments	(238,652)	(16,969)	(440,001)	(50,211)
Gain on disposal of :				
- available-for-sale investments	(15,345)	(895)	(27,940)	(2,367)
- investment properties	(238,922)	-	(238,922)	-
- property, plant and equipment, net	(122,825)	(109,999)	(275,396)	(399,996)
Loss/(Gain) on foreign exchange				
- realised	98,233	283,443	54,897	461,613
- unrealised	1,456,347	(633,329)	2,143,848	904,293
Property, plant and equipment written off	-	-	324,462	-
Provision/(Write back of provision) for impairment				
loss on trade and other receivables	1,889	-	(8,703)	-
Inventories written off	N/A	N/A	N/A	N/A
Gain on derivatives	N/A	N/A	N/A	N/A

**A9. Segmental reporting**

**Business Segments**

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

Individual Quarter 3 months ended 30 June 2017	Investment RM	Construction RM	Manufacturing RM	Property development RM	Utilities RM	Others RM	Total RM
<b>Revenue</b>							
Total revenue	3,812,654	20,766,845	17,350,749	5,580,130	3,355,727	2,234,166	53,100,271
Inter-segment sales	2,126,144	2,651,862	448,795	-	898	1,122,617	6,350,316
External sales	1,686,510	18,114,983	16,901,954	5,580,130	3,354,829	1,111,549	46,749,955
<b>Results</b>							
Segment results	1,309,762	(479,877)	2,367,530	513,838	562,923	224,967	4,499,143
Interest expense	(749,787)	(87,099)	(30,128)	(281,632)	(27,541)	(496)	(1,176,683)
Profit/(Loss) before tax	559,975	(566,976)	2,337,402	232,206	535,382	224,471	3,322,460
Income tax expense	(92,592)	79	(633,146)	(147,380)	(235,517)	(51,874)	(1,160,430)
Profit for the period							<u>2,162,030</u>
<b>Total Assets</b>							
Segment assets	(2,330,382)	(9,032,637)	1,581,681	2,558,202	(362,893)	(657,743)	(8,243,772)
Unallocated corporate assets							(4,687,665)
Total assets							<u>(12,931,437)</u>
Segment liabilities	(1,478,330)	(9,911,326)	(175,778)	(2,061,896)	(341,195)	(187,113)	(14,155,638)
Unallocated corporate liabilities							149,936
Total liabilities							<u>(14,005,702)</u>

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

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

<b>Individual Quarter 3 months ended 30 June 2016</b>	<b>Investment RM</b>	<b>Construction RM</b>	<b>Manufacturing RM</b>	<b>Property development RM</b>	<b>Others RM</b>	<b>Total RM</b>
<b>Revenue</b>						
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
<b>Results</b>						
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 result of associates	(3,757,230)	-	-	-	-	(3,757,230)
(Loss)/Profit before tax	(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						<u>1,425,915</u>
<b>Total Assets</b>						
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						<u>8,955,162</u>
Segment liabilities	(1,052,674)	12,860,545	1,627,422	(7,696,388)	639,628	6,378,533
Unallocated corporate liabilities						384,611
Total liabilities						<u>6,763,144</u>

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

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

<b>Cumulative Quarter 6 months ended 30 June 2017</b>	<b>Investment RM</b>	<b>Construction RM</b>	<b>Manufacturing RM</b>	<b>Property development RM</b>	<b>Utilities RM</b>	<b>Others RM</b>	<b>Total RM</b>
<b>Revenue</b>							
Total revenue	5,641,205	57,533,521	30,478,288	9,646,555	6,461,289	3,726,875	113,487,733
Inter-segment sales	2,252,289	4,202,748	506,773	-	898	1,540,666	8,503,374
External sales	3,388,916	53,330,773	29,971,515	9,646,555	6,460,391	2,186,209	104,984,359
<b>Results</b>							
Segment results	1,997,976	1,698,214	2,766,251	346,207	1,072,317	318,358	8,199,323
Interest expense	(1,481,583)	(162,882)	(46,479)	(573,339)	(57,674)	(496)	(2,322,453)
Profit/(Loss) before tax	516,393	1,535,332	2,719,772	(227,132)	1,014,643	317,862	5,876,870
Income tax expense	(57,632)	56,852	(813,153)	(41,617)	(370,661)	(72,317)	(1,298,528)
Profit for the period							<u>4,578,342</u>
<b>Total Assets</b>							
Segment assets	148,276,798	119,396,757	71,786,517	197,285,171	66,034,668	5,970,342	608,750,253
Unallocated corporate assets							28,534,993
Total assets							<u>637,285,246</u>
Segment liabilities	62,422,870	66,571,706	8,459,639	78,497,572	9,969,794	530,410	226,451,991
Unallocated corporate liabilities							3,214,605
Total liabilities							<u>229,666,596</u>

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

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

<b>Cumulative Quarter 6 months ended 30 June 2016</b>	<b>Investment RM</b>	<b>Construction RM</b>	<b>Manufacturing RM</b>	<b>Property development RM</b>	<b>Others RM</b>	<b>Total RM</b>
<b>Revenue</b>						
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
<b>Results</b>						
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 tax	(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						<u>5,063,414</u>
<b>Total Assets</b>						
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						<u>30,570,416</u>
Total assets						<u>640,627,023</u>
Segment liabilities	83,288,658	80,838,701	8,513,416	89,474,497	1,468,026	263,583,298
Unallocated corporate liabilities						<u>8,287,679</u>
Total liabilities						<u>271,870,977</u>

**A10. Material Subsequent Events**

There were no material events after the interim period that have not been reflected in the interim financial statements for the 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 except as follows:

On 5 June 2017, the Company acquired the entire equity interest in DKLS Quarry & Premix (North) Sdn Bhd ("DQPN") comprising one ordinary share for a cash consideration of RM1.00 ("Acquisition"). Upon the completion of the Acquisition, DQPN became a wholly owned subsidiary of the Company.

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

(a) Contingent Liabilities

	<b>As at 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	149,129,717	185,075,228
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	1,064,966	1,223,232
	<b>150,194,683</b>	<b>186,298,460</b>

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

(b) Contingent Assets

There were no contingent assets since 31 December 2016.

**A13. Related Party Disclosures**

Significant related party transactions are as follows:

	Individual Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 June		6 months ended	
	2017	2016	2017	2016
	RM	RM	RM	RM
Architect fees paid to Arkitek Ding Poi Kooi	(498,995)	-	(498,995)	(241,330)
Hire of motor vehicles/machinery from Savan-DKLS Water Supply Co Ltd	-	13,500	-	46,613
Progress billings to:				
Ding Poi Kooi	804,210	-	804,210	-
Purchase of consumables from DKLS Service Station	(2,911)	(12,506)	(5,402)	(28,558)
Rental of building paid to:				
Ding Poi Bor	-	(15,000)	-	(30,000)
Ipoh Tower Sdn Bhd	(13,200)	(13,200)	(26,400)	(26,400)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(5,500)	(7,160)	(12,100)	(14,110)
Sale of materials to Total Resilience Sdn Bhd	247,023	-	247,023	-
Supply of electricity by Ipoh Tower Sdn Bhd	(19,073)	(21,940)	(43,057)	(43,859)

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 2017 RM
Approved and contracted for: Property, plant and equipment	<u>4,136,859</u>

**A15. Operating lease commitments - as lessor**

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

	As at 30 June 2017 RM
Not later than 1 year	4,298,556
Later than 1 year but not later than 5 years	950,583
	<u>5,249,139</u>

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

**B1. Operating Segment Review**

**(a) Review of Performance for 2Q17 vs 2Q16**

The Group recorded revenue of RM46.750 million for the second quarter ended 30 June 2017 (2Q17), decreased by RM7.164 million (or 13.3%), as compared to the revenue of RM53.914 million for the previous year corresponding quarter ended 30 June 2016 (2Q16). Despite a lower revenue, the Group has achieved a higher pre-tax profit for 2Q17 of RM3.322 million, increased by RM0.388 million (or 13.2%) as compared to the pre-tax profit of RM2.934 million for 2Q16. The lower revenue and higher pre-tax profit of the Group can be analysed as below:-

**2Q17 vs 2Q16**

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	8	4,126
Construction	(5,625)	(1,897)
Manufacturing	(298)	(1,446)
Property development	(2,725)	(892)
Utilities	3,355	535
Others	(1,879)	(38)
	<u>(7,164)</u>	<u>388</u>

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

The Group recorded revenue of RM104.984 million for the financial year to date ended 30 June 2017 (FY17), decreased by RM3.770 million (or 3.5%), as compared to the revenue of RM108.754 million for the corresponding financial year to date ended 30 June 2016 (FY16). The Group also recorded a lower pre-tax profit of RM5.877 million, decreased by RM1.561 million (or 21.0%) as compared to the pre-tax profit of RM7.437 million for FY16. The lower revenue and pre-tax profit of the Group can be analysed as below:-

**FY17 vs FY16**

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	27	3,000
Construction	(1,251)	(860)
Manufacturing	2,418	(2,634)
Property development	(9,057)	(2,099)
Utilities	6,460	1,015
Others	(2,367)	17
	<u>(3,770)</u>	<u>(1,561)</u>



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

### **Investment**

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

The investment segment continued to record a consistent revenue for the current quarter and current financial year to date.

For the current financial year to date, the investment segment showed a pre-tax profit of RM0.516 million versus the pre-tax loss of RM2.483 million in the previous year corresponding period. This was mainly due to the loss on foreign exchange of RM1.123 million (FY17 : RM0.300 million), finance costs of RM2.202 million (FY17 : RM1.481 million) and share of loss in associated companies of RM1.041 million (FY17 : RMNil) recorded in the previous year corresponding period. The gain on disposal of investment properties of RM0.238 million (FY16 : RMNil) also partially contributed to the pre-tax profit for the current quarter and current financial year to date.

### **Construction**

The construction segment has recorded a lower pre-tax profit of RM1.535 million (FY16 : RM2.395 million) on the back of a lower turnover of RM53.331 million for the current financial year to date as compared to RM54.582 million for the previous year corresponding period.

For the current financial year to date, the overall profit margin of the construction segment was affected by the loss on foreign exchange of RM0.772 million (FY16 : RM0.243 million). If this was excluded from pre-tax profit, the construction segment's overall margin remained consistent.

### **Manufacturing**

For the current financial year to date, despite achieving a higher revenue of RM29.972 million (FY16 : RM27.553 million), the manufacturing segment recorded a substantially lower pre-tax profit of RM2.720 million as compared to previous year corresponding period of RM5.353 million.

The manufacturing segment continued to record a lower overall profit margin for the current financial year to date as the price of bitumen (the major raw material component of its premix products) has remained high as compared to the previous year corresponding period. The impact from higher bitumen price could not be fully passed on to the customers due to the competitive environment.

### **Property Development**

Under the tough economic environment, the general sentiments in the property market continued to be weak and potential buyers have become even more cautious in their long term commitments. This has consequently affected the property development segment to record a pre-tax loss of RM0.227 million (FY16 : pre-tax profit of RM1.872 million) on a lower turnover of RM9.647 million (FY16 : RM18.703 million) in the current financial year as compared to the previous year corresponding period.

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

**Utilities**

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

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

**Others**

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

This segment showed a higher pre-tax profit of RM0.318 million as compared to pre-tax profit of RM0.301 million in the previous year corresponding period despite a lower turnover of RM2.186 million (FY16 : RM4.554 million). The higher overall profit margin in the current financial year was mainly due to higher overseas sales achieved which generally yielded higher profit margin as compared to local sales.

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

	<b>Current Quarter 30 June 2017 RM'000</b>	<b>Immediate Preceding Quarter 31 March 2017 RM'000</b>	<b>Changes Amount RM'000</b>
Revenue	46,750	58,234	(11,484)
Pre-tax profit	3,322	2,554	768

The higher revenue recorded in the immediate preceding quarter was mainly due to sale of inventories amounted to RM8.968 million recorded in the construction segment. Despite a lower revenue, the current quarter has recorded a higher pre-tax profit mainly due to the fluctuation in petroleum products price for premix products as bitumen was the major raw material component for its premix products in the manufacturing segment.

## **DKLS INDUSTRIES BERHAD**

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

(Incorporated in Malaysia)

### **B3. Propects**

The property market's growth will continue to be flat in 2017 due to the stringent conditions imposed by financial institutions on approving loans, coupled by the increasing cost of living and the economic uncertainties which have led to more cautious consumer spending. With this in mind, the Group is not expected to have any new launches on property development projects in the second half the year.

The construction industry's growth is very much driven by infrastructure projects and property development projects. The government's various infrastructure projects are expected to drive a growth in the construction industry. However, this growth will be affected by the slowdown in property development projects. Apart from this, the increase in price of construction materials arisen from the weakening of Ringgit Malaysia is expected to affect the overall performance of the construction segment.

Anticipating a growth in the infrastructure development, the manufacturing segment is expected to gain a momentum in the second half of the year. However, in view of the fluctuation in petroleum products price which formed a major raw material cost for premix products, the overall performance of the manufacturing segment in 2017 is expected to remain neutral.

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

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

**B4. Income tax expense**

	Individual Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 June		6 months ended	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	1,407,173	1,791,977	1,945,676	2,678,532
Over provision in prior year	48	(14,633)	48	(14,633)
	<u>1,407,221</u>	<u>1,777,344</u>	<u>1,945,724</u>	<u>2,663,899</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	(247,495)	(278,311)	(647,900)	(292,616)
Under provision in prior year	704	9,055	704	2,776
	<u>(246,791)</u>	<u>(269,256)</u>	<u>(647,196)</u>	<u>(289,840)</u>
Income tax expense	<u>1,160,430</u>	<u>1,508,088</u>	<u>1,298,528</u>	<u>2,374,059</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:

	Individual Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 June		6 months ended	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit before taxation	3,322,460	2,934,003	5,876,870	7,437,473
Taxation at applicable tax rates	797,391	1,887,261	1,410,449	2,968,094
Income not subject to tax	(270,838)	(1,378,614)	(959,621)	(1,577,625)
Expenses not deductible for tax purposes	787,331	1,128,784	1,101,272	1,147,733
Difference in tax rate of foreign subsidiaries	(47,101)	-	(74,131)	-
Difference in tax rate	-	-	-	-
Deferred tax assets not recognised	3,120	(67,961)	5,807	(91,754)
Utilisation of previously unrecognised deferred tax assets	(110,225)	(55,804)	(186,000)	(60,532)
Over provision of current tax in prior years	48	(14,633)	48	(14,633)
Under provision of deferred tax in prior years	704	9,055	704	2,776
Income tax expense	1,160,430	1,508,088	1,298,528	2,374,059

**B5. Corporate Proposals and Profit Forecast**

Not applicable as no profit forecast was published.

There were no corporate proposals announced but not completed as at the reporting date.

**B6. Borrowing and Debt Securities**

	<b>As at 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>Short term borrowings</b>		
Bank overdraft (unsecured)	22,438	-
Bank overdraft (secured)	1,948,801	-
Bankers' acceptances (unsecured)	2,912,000	3,195,000
Hire purchase liabilities (secured)	3,407,321	8,181,894
Revolving credits (unsecured)	1,800,000	2,300,000
Revolving credits (secured)	3,000,000	3,000,000
Term loans (secured)	9,025,004	5,074,004
	<u>22,115,564</u>	<u>21,750,898</u>
<b>Long term borrowings</b>		
Hire purchase liabilities (secured)	4,040,902	4,314,832
Non-cumulative redeemable preference shares (unsecured)	-	15,844,318
Term loans (secured)	68,545,033	90,308,987
	<u>72,585,935</u>	<u>110,468,137</u>
<b>Total borrowings</b>	<u>94,701,499</u>	<u>132,219,035</u>

Loan and borrowings are denominated in the following currencies:

	<b>As at 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Ringgit Malaysia	92,752,698	132,219,035
Lao Kip	1,948,801	-
	<u>94,701,499</u>	<u>132,219,035</u>

The loans and borrowings denominated in Lao Kip was undertaken by a foreign subsidiary in which the repayment is to be settled in the functional currency of the said subsidiary as such no hedging to Ringgit Malaysia is required.

**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	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit attributable to owners of the Company	1,880,640	3,579,609	4,136,548	6,616,713
Weighted average number of ordinary shares in issue	92,699,600	92,699,600	92,699,600	92,699,600
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Basic earnings per share	2.03	3.86	4.46	7.14

**(b) Diluted**

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

**B10. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2016 was unqualified.

**B11. Financial Assistance in the Ordinary Course of Business**

As at the end of the reporting period, DKLS Construction Sdn Bhd, a wholly-owned subsidiary of the Company, in the ordinary course of business has caused certain financial institutions to issue Performance Bond and Advance Bond guarantees amounting to RM36.39 million on behalf of the main contractors. The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not recognized the value of the obligation under the Financial Guarantee in its books.

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

	<b>Cumulative Quarter 6 months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Total retained profits of the Group		
- Realised profits	335,708,792	312,261,082
- Unrealised losses	<u>(2,204,712)</u>	<u>(17,055,759)</u>
	<u>333,504,080</u>	<u>295,205,323</u>
Total share of accumulated losses from associated companies		
- Realised losses	<u>(7,600,000)</u>	<u>(17,047,907)</u>
	<u>(7,600,000)</u>	<u>(17,047,907)</u>
Less: Consolidated adjustments	<u>(30,873,887)</u>	<u>(28,759,305)</u>
Retained profits as per statement of financial position	<u>295,030,193</u>	<u>249,398,111</u>