

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

Condensed Consolidated Statement of Comprehensive Income
For the quarter and 9 months ended 30 September 2019 - unaudited

| Note | Current Quarter 3 months ended 30 September | | Cumulative Quarter 9 months ended 30 September | |
|---|---|-------------------|--|-------------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Revenue | 44,478,127 | 54,111,684 | 142,508,021 | 157,963,174 |
| Interest income | 205,592 | 307,469 | 821,824 | 964,075 |
| Other income | 2,641,540 | 1,595,649 | 5,955,718 | 9,907,358 |
| Operating expenses | (28,500,460) | (43,989,898) | (105,835,184) | (129,132,988) |
| Changes in work-in-progress and finished goods | (436,377) | (193,864) | (127,223) | 1,779,495 |
| Employee benefit expenses | (3,270,878) | (3,269,243) | (11,717,977) | (11,808,525) |
| Administrative expenses | (3,864,986) | (5,142,199) | (11,025,401) | (14,063,528) |
| Profit from operating activities | A8 | 11,252,558 | 3,419,598 | 20,579,778 |
| Interest expense | (748,097) | (927,954) | (2,331,985) | (4,202,958) |
| Share of (loss)/profit from associate, net of tax | (22,242) | 4,161 | (64,630) | 4,161 |
| Profit before tax | 10,482,219 | 2,495,805 | 18,183,163 | 11,410,264 |
| Income tax expense | (2,619,335) | (95,357) | (4,454,364) | (2,259,704) |
| Profit for the period, net of tax | 7,862,884 | 2,400,448 | 13,728,799 | 9,150,560 |
| Other comprehensive income, net of tax | | | | |
| Foreign currency translation differences for foreign operations | (249,891) | 637,247 | (866,127) | 405,270 |
| Other comprehensive income for the period, net of tax | (249,891) | 637,247 | (866,127) | 405,270 |
| Total comprehensive income for the period | 7,612,993 | 3,037,695 | 12,862,672 | 9,555,830 |
| Profit for the period attributable to: | | | | |
| Owners of the Company | 7,763,453 | 2,149,122 | 13,148,478 | 8,523,810 |
| Non-controlling interests | 99,431 | 251,326 | 580,321 | 626,750 |
| Profit for the period | 7,862,884 | 2,400,448 | 13,728,799 | 9,150,560 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 7,567,400 | 2,650,030 | 12,466,766 | 8,791,401 |
| Non-controlling interests | 45,593 | 387,665 | 395,906 | 764,429 |
| Total comprehensive income for the period | 7,612,993 | 3,037,695 | 12,862,672 | 9,555,830 |
| Basic/Diluted, earnings per ordinary share (sen) | 8.37 | 2.32 | 14.18 | 9.20 |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2018 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 September 2019 - unaudited**

| | 30 September 2019 RM | 31 December 2018 RM |
|--|-------------------------|------------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 120,273,596 | 128,510,865 |
| Land held for property development | 87,222,819 | 86,668,315 |
| Investment properties | 116,690,000 | 116,690,000 |
| Investment in associates | 193,454 | 258,085 |
| Long term investments | 25,823 | 36,926 |
| Trade and other receivables | 3,656,583 | 3,450,640 |
| Deferred tax assets | 4,147,732 | 4,721,872 |
| Total non-current assets | 332,210,007 | 340,336,703 |
| Current Assets | | |
| Property development costs | 2,030,889 | 4,928,360 |
| Inventories | 60,005,037 | 66,047,112 |
| Trade and other receivables | 65,769,181 | 84,678,108 |
| Other current assets | 3,690,960 | 960,604 |
| Short term investments | 68,893,795 | 31,561,084 |
| Tax recoverable | 1,347,496 | 1,137,409 |
| Cash and cash equivalents | 26,307,532 | 40,440,685 |
| Total current assets | 228,044,890 | 229,753,362 |
| TOTAL ASSETS | 560,254,897 | 570,090,065 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 101,883,643 | 101,883,643 |
| Retained profits | 305,239,315 | 294,871,825 |
| Reserves | 1,492,324 | 2,174,036 |
| Total equity attributable to owners of the Company | 408,615,282 | 398,929,504 |
| Non-controlling interests | 9,234,125 | 9,367,548 |
| Total equity | 417,849,407 | 408,297,052 |
| Non-Current Liabilities | | |
| Loans and borrowings | 48,078,115 | 56,206,385 |
| Other payables | 2,008,991 | 2,306,526 |
| Deferred tax liabilities | 3,400,384 | 2,876,168 |
| Total non-current liabilities | 53,487,490 | 61,389,079 |
| Current Liabilities | | |
| Loans and borrowings | 20,087,081 | 19,092,452 |
| Trade and other payables | 40,310,563 | 68,662,134 |
| Other current liabilities | 27,816,315 | 11,524,223 |
| Tax payable | 704,041 | 1,125,125 |
| Total current liabilities | 88,918,000 | 100,403,934 |
| Total liabilities | 142,405,490 | 161,793,013 |
| TOTAL EQUITY AND LIABILITIES | 560,254,897 | 570,090,065 |
| Net assets per share attributable to owners of the Company (RM) | 4.41 | 4.30 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2018 and the accompanying notes attached to the Interim Financial Statements.

Condensed Consolidated Statement of Changes in Equity
For 9 months ended 30 September 2019 - unaudited

| | Attributable to owners of the Company | | Distributable | | | | | Total equity RM |
|---|---|-------------------|---------------------------------------|-------------------------------------|------------------------|---------------------------|--|--------------------|
| | Foreign currency translation reserve RM | Non distributable | Asset revaluation reserve RM | Charter capital reserve RM | Other reserve RM | Retained profits RM | Non- controlling Interests RM | |
| 9 months ended 30 September 2019 | | | | | | | | |
| Balance at 1 January 2019 | 101,883,643 | (1,583,043) | 1,157,522 | 3,026,004 | (426,447) | 294,871,825 | 9,367,548 | 408,297,052 |
| Total comprehensive income for the period | - | (681,712) | - | - | - | 13,148,478 | 395,906 | 12,862,672 |
| Transactions with owners: | | | | | | | | |
| Dividend on ordinary shares | - | - | - | - | - | (2,780,988) | - | (2,780,988) |
| Dividend paid to minority interests | - | - | - | - | - | - | (529,329) | (529,329) |
| Balance at 30 September 2019 | 101,883,643 | (2,264,755) | 1,157,522 | 3,026,004 | (426,447) | 305,239,315 | 9,234,125 | 417,849,407 |
| 9 months ended 30 September 2018 | | | | | | | | |
| Balance at 1 January 2018 | 101,883,643 | (1,732,918) | 1,157,522 | - | - | 292,354,733 | 8,353,612 | 402,016,592 |
| Total comprehensive income for the period | - | 267,591 | - | - | - | 8,523,810 | 764,429 | 9,555,830 |
| Transactions with owners: | | | | | | | | |
| Dividend on ordinary shares | - | - | - | - | - | (2,780,988) | - | (2,780,988) |
| Balance at 30 September 2018 | 101,883,643 | (1,465,327) | 1,157,522 | - | - | 298,097,555 | 9,118,041 | 408,791,434 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2018 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 9 months ended 30 September 2019 - unaudited

| | Cumulative Quarter 9 months ended 30 September | |
|---|--|---------------------|
| | 2019 RM | 2018 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 18,183,163 | 11,410,264 |
| Adjustments for:- | | |
| Depreciation | 6,946,294 | 11,625,231 |
| Dividend income from long/short term investments | (1,331,141) | (451,781) |
| Fair value changes on long/short term investments | 11,103 | (7,080) |
| Gain on derecognition of financial liabilities | - | (4,611,689) |
| Gain on disposal of property, plant and equipment, net | (1,748,501) | (643,953) |
| Impairment loss on property development | 509,393 | - |
| Interest expense | 2,352,781 | 4,777,103 |
| Interest income | (821,824) | (1,706,200) |
| Property, plant and equipment written off | 11,731 | 5,147 |
| Share of (loss)/profit from associate | 64,630 | (4,161) |
| Unrealised (gain)/loss on foreign exchange | (2,509) | 20,551 |
| Write back of provision for impairment loss on trade and other receivables | <u>(1,043,960)</u> | <u>(284,105)</u> |
| Operating profit before changes in working capital | 23,131,160 | 20,129,327 |
| Changes in working capital:- | | |
| Net changes in current assets | 27,798,656 | 9,374,351 |
| Net changes in current liabilities | <u>(12,503,009)</u> | <u>(27,628,781)</u> |
| Cash flows from operations | 38,426,807 | 1,874,897 |
| Interest paid | (411,947) | (432,644) |
| Interest received | 223,510 | 450,269 |
| Taxes paid | <u>(3,867,973)</u> | <u>(6,025,326)</u> |
| Net cash flows from/(used in) operating activities | <u>34,370,397</u> | <u>(4,132,804)</u> |

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Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 9 months ended 30 September 2019 - unaudited

| | Cumulative Quarter 9 months ended 30 September | |
|--|---|--------------------------|
| | 2019 | 2018 |
| | RM | RM |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 605,767 | 433,624 |
| Interest in associate | - | (2) |
| Land held for property development | (2,709,138) | (3,592,492) |
| Net dividend received from long/short term investments | 1,331,141 | 451,781 |
| Placement of deposits with maturity period more than 3 months | (379,990) | (363,165) |
| Proceeds from disposal of: | | |
| - short term investments | 72,533,000 | 56,668,812 |
| - property, plant and equipment | 3,970,640 | 2,267,131 |
| Purchase of: | | |
| - short term investments | (109,865,711) | (47,443,638) |
| - property, plant and equipment | (1,948,792) | (3,292,885) |
| Withdrawal of deposits with maturity period more than 3 months | 499,266 | - |
| Net cash flows (used in)/from investing activities | <u>(35,963,817)</u> | <u>5,129,166</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | (2,780,988) | (2,780,988) |
| Dividend paid to non-controlling interest | (689,294) | (572,505) |
| Interest paid | (2,415,211) | (2,761,303) |
| Repayment of term loan | (9,298,428) | (4,720,821) |
| Repayment of hire purchase liabilities | (2,575,517) | (3,113,668) |
| Net cash flows used in financing activities | <u>(17,759,438)</u> | <u>(13,949,285)</u> |
| Net decrease in cash and cash equivalents | (19,352,858) | (12,952,923) |
| Effects of exchange rate differences | 99,980 | 60,954 |
| Cash and cash equivalents at beginning of the period | 25,518,976 | 31,278,695 |
| Cash and cash equivalents at end of the period | <u>6,266,098</u> | <u>18,386,726</u> |

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

| | | |
|--|---------------------|---------------------|
| Cash and bank balances | 11,897,663 | 16,343,104 |
| Deposits with licensed banks | 14,409,869 | 24,494,363 |
| Bank overdrafts | <u>(10,504,235)</u> | <u>(12,700,955)</u> |
| | 15,803,297 | 28,136,512 |
| Less: | | |
| Deposits with maturity period more than 3 months | <u>(9,537,199)</u> | <u>(9,749,786)</u> |
| | <u>6,266,098</u> | <u>18,386,726</u> |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2018 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 2018. 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 2018.

A2. Significant 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 2018 except as follows:

On 1 January 2019, the Group adopted the following applicable amended MFRSs mandatory for annual financial period beginning on or after 1 January 2019.

Annual Improvements to MFRS Standards 2015 – 2017 Cycle

- (i) Amendments to MFRS 3 : Previously Held Interest in a Joint Operation
 - (ii) Amendments to MFRS 11 : Previously Held Interest in a Joint Operation
 - (iii) Amendments to MFRS 112 : Income Tax Consequences of Payments on Financial Instruments
Classified as Equity
 - (iv) Amendments to MFRS 123 : Borrowing Costs Eligible for Capitalisation
- IC Interpretation 23 : Uncertainty over Income Tax Treatments
Amendments to MFRS 9 : Prepayment Features with Negative Compensation
Amendments to MFRS 119 : Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128 : Long-term Interests in Associates and Joint Ventures
MFRS 16: Leases

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

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.

A. Notes to the Interim Financial Statements (cont'd.)

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 2018, which was approved at the Annual General Meeting on 30 May 2019, was paid on 16 August 2019 to shareholders whose names appear in the Record of Depositors on 31 July 2019.

A8. Profit from operating activities

| | Current Quarter | | Cumulative Quarter | |
|---|-----------------|-------------|--------------------|-------------|
| | 3 months ended | | 9 months ended | |
| | 30 September | | 30 September | |
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| The following items have been included in arriving at profit from operating activities: | | | | |
| Total depreciation | 2,237,910 | 5,453,956 | 6,946,294 | 11,625,231 |
| Depreciation capitalised under construction costs | (328,597) | (1,411,652) | (1,111,316) | (2,117,866) |
| Depreciation charged to profit from operating activities | 1,909,313 | 4,042,304 | 5,834,978 | 9,507,365 |
| Dividend income from long/short term investments | (495,871) | (88,722) | (1,331,141) | (451,781) |
| Fair value changes on long/short term investments | 1,777 | (10,066) | 11,103 | (7,080) |
| Gain on derecognition of financial liabilities | - | - | - | (4,611,689) |
| Gain on disposal of property, plant and equipment, net | (137,321) | (244,806) | (1,748,501) | (643,953) |
| Impairment loss on property development | 509,393 | - | 509,393 | - |
| Loss/(Gain) on foreign exchange | | | | |
| - realised | 212,326 | 41,959 | 259,425 | 259,425 |
| - unrealised | (41,109) | (25,096) | (2,509) | 20,551 |
| Property, plant and equipment written off | 902 | 4,270 | 11,731 | 5,147 |
| Write back of provision for impairment loss on trade and other receivables | (950,531) | (538,796) | (1,043,960) | (284,105) |
| Inventories written off | N/A | N/A | N/A | N/A |
| Gain on derivatives | N/A | N/A | N/A | N/A |

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A. Notes to the Interim Financial Statements (cont'd.)

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 September 2019**

| | Investment RM | Construction RM | Quarry RM | Property development RM | Utilities RM | Others RM | Total RM |
|-----------------------------------|------------------|--------------------|--------------|-------------------------------|-----------------|--------------|--------------|
| Revenue | | | | | | | |
| Total revenue | 1,588,385 | 18,449,827 | 14,870,984 | 8,899,709 | 2,921,523 | 263,737 | 46,994,165 |
| Inter-segment sales | (143,209) | (1,254,426) | (896,130) | - | (16) | (222,257) | (2,516,038) |
| External sales | 1,445,176 | 17,195,401 | 13,974,854 | 8,899,709 | 2,921,507 | 41,480 | 44,478,127 |
| Results | | | | | | | |
| Segment results | 1,000,148 | 6,947,377 | 1,062,047 | 448,345 | 294,970 | 1,499,671 | 11,252,558 |
| Interest expense | (631,853) | (3,281) | (22,631) | (552) | (89,780) | - | (748,097) |
| Share of losses from associates | - | - | - | (22,242) | - | - | (22,242) |
| Profit before tax | 368,295 | 6,944,096 | 1,039,416 | 425,551 | 205,190 | 1,499,671 | 10,482,219 |
| Income tax expense | (232,564) | (1,604,418) | (303,216) | (139,109) | 17,033 | (357,061) | (2,619,335) |
| Profit for the period | 135,731 | 5,339,678 | 736,200 | 286,442 | 222,223 | 1,142,610 | 7,862,884 |
| Total Assets | | | | | | | |
| Segment assets | 377,190 | (10,621,093) | (7,655,460) | (1,762,153) | (1,497,193) | 444,431 | (20,714,278) |
| Interest in associates | - | - | - | - | - | - | (22,242) |
| Unallocated corporate assets | - | - | - | - | - | - | 7,814,466 |
| Total assets | - | - | - | - | - | - | (12,922,054) |
| Total liabilities | | | | | | | |
| Segment liabilities | (1,495,936) | (9,602,874) | (1,954,778) | (4,501,290) | 305,414 | (47,269) | (17,296,733) |
| Unallocated corporate liabilities | - | - | - | - | - | - | 72,003 |
| Total liabilities | - | - | - | - | - | - | (17,224,730) |
| Other information | | | | | | | |
| Capital expenditure | - | - | 418,495 | 3,597 | 148,290 | - | 570,382 |

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A. Notes to the Interim Financial Statements (cont'd.)

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Current quarter 3 months
ended 30 September 2018**

| | Investment RM | Construction RM | Quarry RM | Property development RM | Utilities RM | Others RM | Total RM |
|-----------------------------------|------------------|--------------------|--------------|-------------------------------|-----------------|--------------|-------------|
| Revenue | | | | | | | |
| Total revenue | 7,483,988 | 27,149,380 | 18,684,115 | 7,035,999 | 2,956,590 | 345,245 | 63,655,317 |
| Inter-segment sales | (6,130,609) | (3,020,458) | (131,998) | - | (269) | (260,299) | (9,543,633) |
| External sales | 1,353,379 | 24,128,922 | 18,552,117 | 7,035,999 | 2,956,321 | 84,946 | 54,111,684 |
| Results | | | | | | | |
| Segment results | 833,067 | (627,860) | 1,341,117 | 931,986 | 932,284 | 9,004 | 3,419,598 |
| Interest expense | (726,037) | (89,187) | (22,419) | (4,510) | (85,801) | - | (927,954) |
| Share of profits from associates | - | - | - | 4,161 | - | - | 4,161 |
| Profit before tax | 107,030 | (717,047) | 1,318,698 | 931,637 | 846,483 | 9,004 | 2,495,805 |
| Income tax expense | (19,416) | 548,945 | (453,889) | 68,854 | (239,661) | (190) | (95,357) |
| Profit/(loss) for the period | 87,614 | (168,102) | 864,809 | 1,000,491 | 606,822 | 8,814 | 2,400,448 |
| Total Assets | | | | | | | |
| Segment assets | 245,599 | (1,527,174) | 613,773 | (7,004,832) | (572,099) | (65,331) | (8,310,064) |
| Interest in associates | | | | | | | 4,163 |
| Unallocated corporate assets | | | | | | | 9,710,012 |
| Total assets | | | | | | | 1,404,111 |
| Total liabilities | | | | | | | |
| Segment liabilities | (1,100,905) | (2,769,305) | 924,017 | 4,777,355 | 54,354 | 33,569 | 1,919,085 |
| Unallocated corporate liabilities | | | | | | | (1,012,227) |
| Total liabilities | | | | | | | 906,858 |
| Other information | | | | | | | |
| Capital expenditure | 27,980 | 329,373 | 387,454 | 1 | 61,357 | - | 806,165 |

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A. Notes to the Interim Financial Statements (cont'd.)

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Cumulative quarter 9 months
ended 30 September 2019**

| | Investment RM | Construction RM | Quarry RM | Property development RM | Utilities RM | Others RM | Total RM |
|-----------------------------------|------------------|--------------------|--------------|-------------------------------|-----------------|--------------|-------------|
| Revenue | | | | | | | |
| Total revenue | 4,853,270 | 65,469,443 | 44,285,955 | 24,993,716 | 9,109,978 | 2,452,481 | 151,164,843 |
| Inter-segment sales | (429,626) | (4,891,609) | (2,559,636) | - | (487) | (775,464) | (8,656,822) |
| External sales | 4,423,644 | 60,577,834 | 41,726,319 | 24,993,716 | 9,109,491 | 1,677,017 | 142,508,021 |
| Results | | | | | | | |
| Segment results | 2,827,244 | 8,493,711 | 3,108,623 | 2,128,385 | 2,315,275 | 1,706,540 | 20,579,778 |
| Interest expense | (1,936,176) | (25,084) | (86,857) | (552) | (283,316) | - | (2,331,985) |
| Share of losses from associates | - | - | - | (64,630) | - | - | (64,630) |
| Profit before tax | 891,068 | 8,468,627 | 3,021,766 | 2,063,203 | 2,031,959 | 1,706,540 | 18,183,163 |
| Income tax expense | (245,110) | (1,828,601) | (923,551) | (538,625) | (508,947) | (409,530) | (4,454,364) |
| Profit for the period | 645,958 | 6,640,026 | 2,098,215 | 1,524,578 | 1,523,012 | 1,297,010 | 13,728,799 |
| Total Assets | | | | | | | |
| Segment assets | 136,622,414 | 96,865,755 | 68,342,195 | 120,738,116 | 59,372,257 | 3,705,860 | 485,646,597 |
| Interest in associates | | | | | | | 193,454 |
| Unallocated corporate assets | | | | | | | 74,414,846 |
| Total assets | | | | | | | 560,254,897 |
| Segment liabilities | 50,560,816 | 52,878,823 | 9,439,104 | 15,707,153 | 9,633,702 | 81,467 | 138,301,065 |
| Unallocated corporate liabilities | | | | | | | 4,104,425 |
| Total liabilities | | | | | | | 142,405,490 |
| Other information | | | | | | | |
| Capital expenditure | 8,719 | 9,500 | 1,099,220 | 37,280 | 794,073 | - | 1,948,792 |

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A. Notes to the Interim Financial Statements (cont'd.)

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Cumulative quarter 9 months
ended 30 September 2018**

| | Investment RM | Construction RM | Quarry RM | Property development RM | Utilities RM | Others RM | Total RM |
|-----------------------------------|------------------|--------------------|--------------|-------------------------------|-----------------|--------------|--------------|
| Revenue | | | | | | | |
| Total revenue | 16,197,451 | 91,904,833 | 52,294,252 | 12,884,006 | 8,815,976 | 1,090,463 | 183,186,981 |
| Inter-segment sales | (12,394,738) | (8,290,195) | (3,928,720) | - | (887) | (609,267) | (25,223,807) |
| External sales | 3,802,713 | 83,614,638 | 48,365,532 | 12,884,006 | 8,815,089 | 481,196 | 157,963,174 |
| Results | | | | | | | |
| Segment results | 2,405,518 | 935,418 | 4,093,835 | 5,512,730 | 2,577,123 | 84,437 | 15,609,061 |
| Interest expense | (2,129,730) | (166,695) | (74,959) | (1,595,381) | (236,193) | - | (4,202,958) |
| Share of profits from associates | - | - | - | 4,161 | - | - | 4,161 |
| Profit before tax | 275,788 | 768,723 | 4,018,876 | 3,921,510 | 2,340,930 | 84,437 | 11,410,264 |
| Income tax expense | (51,726) | (449,475) | (638,837) | (553,706) | (553,073) | (12,887) | (2,259,704) |
| Profit for the period | 224,062 | 319,248 | 3,380,039 | 3,367,804 | 1,787,857 | 71,550 | 9,150,560 |
| Total Assets | | | | | | | |
| Segment assets | 145,310,718 | 120,596,787 | 76,370,658 | 138,822,588 | 64,143,637 | 3,380,761 | 548,625,149 |
| Interest in associates | | | | | | | 4,163 |
| Unallocated corporate assets | | | | | | | 21,609,027 |
| Total assets | | | | | | | 570,238,339 |
| Segment liabilities | | | | | | | |
| Unallocated corporate liabilities | 55,712,452 | 52,395,867 | 9,098,677 | 27,031,320 | 13,041,644 | 59,720 | 157,339,680 |
| Total liabilities | | | | | | | 4,107,225 |
| | | | | | | | 161,446,905 |
| Other information | | | | | | | |
| Capital expenditure | 27,980 | 895,784 | 2,267,513 | 38,338 | 1,138,349 | 13,472 | 4,381,436 |

A. Notes to the Interim Financial Statements (cont'd.)

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 September | |
|---|---------------------------|--------------------|
| | 2019 | 2018 |
| | RM | RM |
| Unsecured: | | |
| Corporate guarantees given to banks for facilities granted to subsidiaries | 102,181,760 | 118,178,672 |
| Corporate guarantees given to third parties for credit facilities granted to subsidiaries | 467,635 | 643,943 |
| Corporate guarantee given to third parties for payment of balance purchase price in connection with land acquisition by one of the subsidiaries | 2,800,000 | 2,800,000 |
| | <u>105,449,395</u> | <u>121,622,615</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 2018.

A. Notes to the Interim Financial Statements (cont'd.)

A13. Related Party Disclosures

Significant related party transactions are as follows:

| | Current Quarter 3 months ended 30 September | | Cumulative Quarter 9 months ended 30 September | |
|---|---|----------|--|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| | RM | RM | RM | RM |
| Architect fees paid to Arkitek Ding Poi Kooi | - | - | - | (295,987) |
| Purchase of consumables from DKLS Service Station | (2,040) | (1,043) | (7,243) | (2,019) |
| Purchase of property, plant and equipment from Lee Koon Hian | - | - | - | (1) |
| Rental of car park paid to Aplikasi Budimas Sdn Bhd | (5,700) | (5,800) | (18,340) | (18,100) |
| Sale commission received from Yu Shuen Development Sdn Bhd | - | 17,400 | - | 17,400 |
| Supply of electricity by Ipoh Tower Sdn Bhd | (18,782) | (18,782) | (58,497) | (54,050) |

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 September 2019 RM |
|---|----------------------------------|
| Approved and contracted for: Property, plant and equipment | - |

A15. Operating lease commitments - as lessor

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

| | As at 30 September 2019 RM |
|--|----------------------------------|
| Not later than 1 year | 4,701,044 |
| Later than 1 year but not later than 5 years | 3,946,778 |
| | <u>8,647,822</u> |

B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

(a) Review of Performance for 3Q19 vs 3Q18

The Group has recorded a lower revenue of RM44.478 million for the current quarter ended 30 September 2019 (3Q19) as compared to the revenue of RM54.112 million for the corresponding quarter ended 30 September 2018 (3Q18), a decrease of RM9.634 million (or 17.8%). Despite the lower revenue, the Group has achieved a higher pre-tax profit of RM10.482 million for 3Q19, as compared to the pre-tax profit of RM2.496 million for 3Q18, an increase of RM7.986 million (or 320.0%). The lower revenue and the higher pre-tax profit of the Group can be analysed as below:-

| 3Q19 vs 3Q18 Increase/(Decrease) | Revenue RM'000 | Pre-tax profit RM'000 |
|--|--------------------------|---------------------------------|
| Investment | 92 | 261 |
| Construction | (6,934) | 7,660 |
| Quarry | (4,577) | (279) |
| Property development | 1,864 | (506) |
| Utilities | (35) | (641) |
| Others | (44) | 1,491 |
| | <u>(9,634)</u> | <u>7,986</u> |

(b) Review of Performance to date for FY19 vs FY18

The Group has recorded a revenue of RM142.508 million for the financial year to date ended 30 September 2019 (FY19) as compared to the revenue of RM157.963 million for the corresponding financial year to date ended 30 September 2018 (FY18), a decrease of RM15.455 million (or 9.8%). Despite the lower turnover, the Group has achieved a higher pre-tax profit of RM18.183 million as compared to the pre-tax profit of RM11.410 million for FY18, an increase of RM6.773 million (or 59.4%). The lower revenue and the higher pre-tax profit of the Group can be analysed as below:-

| FY19 vs FY18 Increase/(Decrease) | Revenue RM'000 | Pre-tax profit RM'000 |
|--|--------------------------|---------------------------------|
| Investment | 621 | 615 |
| Construction | (23,037) | 7,700 |
| Quarry | (6,639) | (997) |
| Property development | 12,110 | (1,858) |
| Utilities | 294 | (309) |
| Others | 1,196 | 1,622 |
| | <u>(15,455)</u> | <u>6,773</u> |

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

B1. Operating Segment Review (cont'd.)

Investment

For the current financial year to date under review, the investment segment continues to derive rental income from the 100% occupancy rate from its investment property in Bangsar South which gave rise to a higher revenue of RM4.424 million as compared to RM3.803 million in FY18.

The higher pre-tax profit of RM0.891 million in FY19 (FY18 : RM0.276 million) were due to the higher revenue and also partly contributed by a lower interest expense of RM1.936 million (FY18 : RM2.130 million), a lower depreciation charges of RM0.105 million (FY18 : RM0.214 million) and a non recurring compensation income of RM0.103 million (FY18 : RM0.500 million) received from a tenant due to non fulfilment of terms and conditions.

Construction

The construction segment has recorded a higher pre-tax profit of RM8.469 million in FY19 (FY18 : RM0.769 million) despite achieving a lower turnover of RM60.578 million as compared to FY18 of RM83.615 million. This was mainly due to contribution from completed project as compared to the profit contributed from on-going projects in FY18 and also a lower depreciation charges of RM1.337 million (FY18 : RM3.920 million) but partly off-set by the provision for lifetime expected loss of RM0.221 million which was none in FY18.

Quarry

The quarry segment has recorded a lower pre-tax profit of RM3.022 million in FY19 (FY18 : RM4.019 million) on a lower revenue of RM41.726 million (FY18 : RM48.365 million).

The lower pre-tax profit was attributed from the lower revenue achieved during the current financial year to date under review with a consistent margin if the exceptional gains from disposal of property, plant and equipment of RM0.189 million (FY18 : RM0.399 million) and corporate social responsibility expenses of RM0.100 million (FY18 : RMNil) incurred in providing education aids to needy students were excluded from the pre-tax profit.

Property Development

Through more aggressive and innovative sales promotion and marketing campaigns, the property development segment continues to achieve better sales thus resulted in a higher revenue of RM24.994 million in FY19 versus RM12.884 million in FY18.

For FY19, despite a higher revenue achieved, the property development recorded a lower pre-tax profit of RM3.021 million as compared to RM3.922 million in FY18 due to the exceptional loss/gains i.e. a provision for impairment loss on property development of RM0.509 million in FY19 (FY18 : RMNil) versus an exceptional net gain of RMNil in FY19 (FY18 : RM3.021 million which consisted of a gain on derecognition of financial liabilities of RM4.612 million and an amortised interest expense on long term payables of RM1.591 million). If these exceptionals were excluded from the pre-tax profit, the development segment's would have achieved a higher pre-tax profit of RM2.513 million versus RM0.901 million in FY18. The higher pre-tax profit was attributed from the higher revenue with better margin achieved as well.

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

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 utilities segment has recorded a slightly lower pre-tax profit of RM2.032 million in FY19 (FY18 : RM2.341 million) on a higher revenue of RM9.109 million (FY18 : RM8.815 million) as compared to FY18. The lower pre-tax profit was mainly due to provision for impairment loss on trade receivables of RM0.596 million (FY18 : RM0.012 million) and loss on foreign exchange of RM0.146 million (FY18 : RM0.264 million). If these were excluded from the pre-tax profit, the utilities segment would have recorded consistent margin.

Others

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

This segment has recorded an exceptional pre-tax profit of RM1.706 million (FY18 : RM0.084 million) with the revenue of RM1.677 million (FY18 : RM0.481 million). The exceptional pre-tax profit was attributed from the reversal of provision for impairment loss on trade receivable of RM1.600 million (FY18 : RMNil) due to the recovery of debts previously provided and the related legal fees of RM0.143 million (FY18 : RM0.75 million).

B2. Variance of Results Against Preceding Quarter

| | Current quarter 30 September 2019 RM'000 | Immediate preceding quarter 30 June 2019 RM'000 | Changes amount RM'000 |
|----------------|---|--|--------------------------------------|
| Revenue | 44,478 | 60,987 | (16,509) |
| Pre-tax profit | 10,482 | 5,025 | 5,457 |

In 3Q19, the Group has recorded a higher profit on lower turnover as compared to 2Q19. The higher pre-tax profit was mainly contributed from construction segment which derived mainly from completed projects versus contribution from on-going projects in 2Q19.

The higher pre-tax profit in 3Q19 was also impacted by exceptional items i.e. reversal of provision for impairment loss on trade receivables of RM0.951 million (2Q19 : RM0.312 million), gains on disposal of property, plant and equipment of RM0.137 million (2Q19 : RM0.509 million), provision for impairment loss on property development of RM0.509 million (2Q19 : RMNil) and loss on foreign exchange of RM0.171 million (2Q19 : gain on foreign exchange of RM0.136 million).

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

B3. Prospects

The Group will continue to intensify its efforts to drive the sales of its completed properties through more aggressive and innovative sales promotion and marketing campaigns and also taking advantage of the extended timeframe of National Home Ownership Campaign. At the same time, the Group has rolled out new launches in certain locations with good market response.

The slower growth in the local construction industry expected to continue into Year 2020 and will remain very competitive with so many players in the market going for the limited public infrastructure projects. The Group will continue to improve its management efficiency, effectiveness and align its strategy to ensure sustainable revenue and profit growth.

Sale of quarry products and related products is expected to remain challenging with more intense competition from the existing and new players, as well as the negative impact of subdued property market. Nevertheless, the Group anticipates that more infrastructure works by the local authority can mitigate the adverse market scenario and working towards in getting more market shares.

Taking into consideration of the above-mentioned and barring unforeseen circumstances, the directors expect the Group's operations to reflect a better performance for 2019.

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

B4. Income tax expense

| | Current Quarter 3 months ended 30 September | | Cumulative Quarter 9 months ended 30 September | |
|---|---|------------------|--|------------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Current income tax: | | | | |
| Malaysia income tax | 2,038,799 | 730,342 | 2,852,213 | 2,970,083 |
| Foreign tax | 57,658 | - | 468,967 | - |
| Real property gains tax | 754 | - | 11,723 | - |
| Under provision in prior year | 23,103 | 187,843 | 23,103 | 187,870 |
| | <u>2,120,314</u> | <u>918,185</u> | <u>3,356,006</u> | <u>3,157,953</u> |
| Deferred income tax: | | | | |
| Relating to origination and reversal of temporary differences | 428,177 | (533,100) | 1,007,152 | (571,145) |
| Under/(Over) provision in prior year | 70,844 | (289,728) | 91,206 | (327,104) |
| | <u>499,021</u> | <u>(822,828)</u> | <u>1,098,358</u> | <u>(898,249)</u> |
| Income tax expense | <u>2,619,335</u> | <u>95,357</u> | <u>4,454,364</u> | <u>2,259,704</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.

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

B4. Income tax expense (cont'd.)

A reconciliation of income tax expense applicable to profit before tax 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 September | | Cumulative Quarter 9 months ended 30 September | |
|---|---|------------|--|-------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Profit before tax | 10,482,219 | 2,495,805 | 18,183,163 | 11,410,264 |
| Taxation at applicable tax rates | 2,515,732 | 598,929 | 4,363,959 | 2,738,463 |
| Income not subject to tax | (554,419) | (499,622) | (763,358) | (1,268,345) |
| Expenses not deductible for tax purposes | 363,439 | 328,074 | 648,115 | 1,464,176 |
| Current year tax losses that cannot be carried forward | 88 | 287 | 307 | 287 |
| Difference in tax rate of foreign subsidiaries | (6,868) | (42,662) | (88,776) | (105,344) |
| Difference in tax rate | - | 184 | - | (11,867) |
| Deferred tax assets not recognised | 65 | 1,960 | 1,609 | 2,382 |
| Deferred tax on undistributed earnings from foreign subsidiary | (74,691) | - | 39,980 | - |
| Real property gains tax | 754 | - | 11,723 | - |
| Unutilised tax losses recognised as deferred tax assets in current year | - | (9,378) | - | (9,378) |
| Utilisation of previously unrecognised deferred tax assets | 156,563 | (210,117) | - | (441,023) |
| Withholding tax | 124,725 | 29,587 | 126,496 | 29,587 |
| Under provision of current tax in prior years | 23,103 | 187,843 | 23,103 | 187,870 |
| Under/(over) provision of deferred tax in prior years | 70,844 | (289,728) | 91,206 | (327,104) |
| Income tax expense | 2,619,335 | 95,357 | 4,454,364 | 2,259,704 |

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.

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

B6. Borrowing and Debt Securities

| | As at 30 September 2019 | As at 31 December 2018 |
|-------------------------------------|--|---------------------------------------|
| | RM | RM |
| Short term borrowings | | |
| Bank overdrafts (unsecured) | 4,757,911 | - |
| Bank overdrafts (secured) | 5,746,324 | 5,382,067 |
| Bankers' acceptances (unsecured) | - | 833,364 |
| Hire purchase liabilities (secured) | 1,582,842 | 2,877,017 |
| Revolving credits (secured) | 3,000,000 | 3,000,000 |
| Term loans (secured) | 5,000,004 | 7,000,004 |
| | <u>20,087,081</u> | <u>19,092,452</u> |
| Long term borrowings | | |
| Hire purchase liabilities (secured) | 327,335 | 1,157,177 |
| Term loans (secured) | 47,750,780 | 55,049,208 |
| | <u>48,078,115</u> | <u>56,206,385</u> |
| Total borrowings | <u>68,165,196</u> | <u>75,298,837</u> |

Loan and borrowings are denominated in the following currencies:

| | As at 30 September 2019 | As at 31 December 2018 |
|------------------|--|---------------------------------------|
| | RM | RM |
| Ringgit Malaysia | 62,418,872 | 69,916,770 |
| Lao Kip | 5,746,324 | 5,382,067 |
| | <u>68,165,196</u> | <u>75,298,837</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.

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

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 September | | Cumulative Quarter 9 months ended 30 September | |
|---|---|------------|--|------------|
| | 2019 RM | 2018 RM | 2019 RM | 2018 RM |
| Profit attributable to owners of the Company | 7,763,453 | 2,149,122 | 13,148,478 | 8,523,810 |
| 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 | 8.37 | 2.32 | 14.18 | 9.20 |

(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 2018 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 RM14.72 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.

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

B12. Fair value of non-financial assets and financial instruments

The following table provides the fair value measurement hierarchy of the Group's non-financial assets and financial instruments as at 30 September 2019:

(i) Qualitative disclosures of fair value measurement hierarchy for assets

| | Quoted prices in active markets for identical assets Level 1 RM | Significant other observable inputs Level 2 RM | Significant unobservable inputs Level 3 RM |
|--------------------------------------|--|---|---|
| Assets measured at fair value | | | |
| Investment properties | - | - | 116,690,000 |

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the period.

Level 1

Level 1 fair value is derived from quoted market price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2

Level 2 fair value is estimated using inputs other than quoted market prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property. The most significant unobservable inputs into this valuation approach is price per square feet of comparable properties and recent estimated net income then capitalised by using an appropriate rate of interest (yield).

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

B12. Fair value of non-financial assets and financial instruments (cont'd.)

(ii) Fair value of financial instruments that are carried at fair value

| | Quoted prices in active markets for identical assets Level 1 RM | Significant other observable inputs Level 2 RM | Significant unobservable inputs Level 3 RM |
|--------------------------------|---|---|--|
| Financial assets | | | |
| Available-for-sale investments | | | |
| - Equity instruments (quoted) | 25,823 | - | - |
| - Unit trust fund (quoted) | - | 68,893,795 | - |
| | <hr/> | <hr/> | <hr/> |
| Financial liabilities | | | |
| Other commitments | - | 2,008,991 | - |
| | <hr/> | <hr/> | <hr/> |

Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at reporting date.

Quoted unit trust fund

Fair value is determined directly by reference to their published net asset value at reporting date.

Other commitments (non-current)

The fair value of other commitments is estimated by discounting expected future cash flows at market borrowing interest rates.