

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter and 12 months ended 31 December 2019 - unaudited**

Note	Current Quarter 3 months ended 31 December		Financial Year 12 months ended 31 December	
	2019	2018	2019	2018
	RM	RM	RM	RM
Revenue	43,820,195	59,569,003	186,328,216	217,532,177
Interest income	680,499	1,409,930	1,502,323	2,374,005
Other income	966,450	2,322,540	6,922,168	12,229,898
Operating expenses	(34,527,143)	(46,388,775)	(140,362,327)	(175,521,763)
Changes in work-in-progress and finished goods	668,827	(1,801,013)	541,604	(21,518)
Employee benefit expenses	(3,477,908)	(3,290,291)	(15,195,885)	(15,098,816)
Administrative expenses	(10,400,602)	(11,752,755)	(21,426,003)	(25,816,283)
(Loss)/Profit from operating activities	A8 (2,269,682)	68,639	18,310,096	15,677,700
Interest expense	(4,637,403)	(1,384,167)	(6,969,388)	(5,587,125)
Share of profit of associates, net of tax	136,143	253,921	71,513	258,082
(Loss)/Profit before tax	(6,770,942)	(1,061,607)	11,412,221	10,348,657
Income tax expense	(276,995)	(1,626,938)	(4,731,359)	(3,886,642)
(Loss)/Profit for the year, net of tax	(7,047,937)	(2,688,545)	6,680,862	6,462,015
Other comprehensive income, net of tax				
Items that will be reclassified to profit or loss in the future				
Foreign currency translation	(1,332,233)	(145,056)	(2,198,360)	260,214
Other comprehensive income for the year, net of tax	(1,332,233)	(145,056)	(2,198,360)	260,214
Total comprehensive income for the year	(8,380,170)	(2,833,601)	4,482,502	6,722,229
Profit attributable to:				
Owners of the Company	(7,320,895)	(2,976,902)	5,827,583	5,546,908
Non-controlling interests	272,958	288,357	853,279	915,107
Profit for the year	(7,047,937)	(2,688,545)	6,680,862	6,462,015
Total comprehensive income attributable to:				
Owners of the Company	(8,369,393)	(3,094,618)	4,097,373	5,696,783
Non-controlling interests	(10,777)	261,017	385,129	1,025,446
Total comprehensive income for the year	(8,380,170)	(2,833,601)	4,482,502	6,722,229
Basic/Diluted, earnings per ordinary share (sen)	(7.90)	(3.21)	6.29	5.98

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 31 December 2019 - unaudited**

	31 December 2019	31 December 2018
	RM	RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	115,998,419	128,510,865
Land held for property development	79,557,779	86,668,315
Investment properties	117,290,000	116,690,000
Interest in associates	329,597	258,085
Long term investments	25,823	36,926
Right-of-use assets	162,096	-
Trade and other receivables	3,418,552	3,450,640
Deferred tax assets	4,028,658	4,721,872
Total non-current assets	<u>320,810,924</u>	<u>340,336,703</u>
Current Assets		
Property development costs	10,244,994	4,928,360
Inventories	59,992,865	66,047,112
Trade and other receivables	59,585,593	84,678,108
Other current assets	3,998,217	960,604
Short term investments	67,549,761	31,561,084
Tax recoverable	432,509	1,137,409
Cash and bank balances	24,784,061	40,440,685
Total current assets	<u>226,588,000</u>	<u>229,753,362</u>
TOTAL ASSETS	<u>547,398,924</u>	<u>570,090,065</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	101,883,643	101,883,643
Retained profits	297,918,420	294,871,825
Reserves	443,826	2,174,036
Total equity attributable to owners of the Company	<u>400,245,889</u>	<u>398,929,504</u>
Non-controlling interests	<u>8,580,941</u>	<u>9,367,548</u>
Total equity	<u>408,826,830</u>	<u>408,297,052</u>
Non-Current Liabilities		
Loans and borrowings	46,652,430	56,206,385
Trade and other payables	1,925,127	2,306,526
Deferred tax liabilities	2,408,913	2,876,168
Total non-current liabilities	<u>50,986,470</u>	<u>61,389,079</u>
Current Liabilities		
Loans and borrowings	13,341,031	19,092,452
Trade and other payables	40,505,939	68,662,134
Other current liabilities	33,166,464	11,524,223
Tax payable	572,190	1,125,125
	<u>87,585,624</u>	<u>100,403,934</u>
Total liabilities	<u>138,572,094</u>	<u>161,793,013</u>
TOTAL EQUITY AND LIABILITIES	<u>547,398,924</u>	<u>570,090,065</u>
Net assets per share attributable to owners of the Company (RM)	<u>4.32</u>	<u>4.30</u>

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.

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows
For the 12 months ended 31 December 2019 - unaudited**

	Financial Year 12 months ended 31 December	
	2019	2018
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,412,221	10,348,657
Adjustments for :-		
Depreciation	9,525,324	14,210,916
Dividend income from short term investments	(1,920,576)	(717,338)
Fair value adjustments of investment properties, net	(100,000)	6,520,000
Fair value loss on short term investments	11,103	133
Gain on derecognition of financial liabilities	-	(4,611,689)
Gain on disposal of:		
- investment in an associate	(1)	-
- property, plant and equipment, net	(1,709,067)	(1,437,101)
Interest expense	7,517,789	5,587,125
Interest income	(1,502,323)	(2,374,005)
Land held for property development written off	6,221,724	-
Allowance for/(write back of) impairment losses on:		
- property development	432,512	-
- property, plant and equipment	43,226	6,621
- trade and other receivables, net	(1,237,425)	206,775
Property, plant and equipment written off	23,638	6,726
Share of profit of associates	(71,513)	(258,082)
Unrealised loss/(gain) on foreign exchange	203,989	(146,752)
Operating profit before changes in working capital	<u>28,850,621</u>	<u>27,341,986</u>
Changes in working capital:-		
Net changes in current assets	22,157,083	15,740,413
Net changes in current liabilities	<u>(9,641,953)</u>	<u>(14,026,650)</u>
Cash flows from operations	41,365,751	29,055,749
Interest paid	(533,205)	(607,677)
Interest received	630,988	560,533
Taxes paid	<u>(4,356,984)</u>	<u>(7,761,784)</u>
Net cash flows from operating activities	<u>37,106,550</u>	<u>21,246,821</u>

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 12 months ended 31 December 2019 - unaudited**

	Financial Year 12 months ended 31 December	
	2019 RM	2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	812,139	561,026
Land held for property development	(1,265,822)	(4,167,547)
Net dividend received from short term investments	1,920,576	717,338
Placement of deposits with maturity period more than 3 months	(379,990)	(474,092)
Proceeds from disposal of:		
- investment in associate	1	-
- property, plant and equipment	4,676,773	5,047,330
- short term investments	92,068,470	86,694,118
Purchase of:		
- property, plant and equipment	(2,471,406)	(4,568,176)
- shares in associate	-	(2)
- short term investments	(128,057,147)	(93,318,244)
Withdrawal of deposits with maturity period more than 3 months	499,266	307,799
Net cash flows used in investing activities	<u>(32,197,140)</u>	<u>(9,200,450)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,780,988)	(2,780,988)
Dividend paid to non-controlling interests	(929,890)	(1,240,287)
Interest paid	(3,644,884)	(3,655,783)
Repayment of term loan	(10,548,429)	(5,970,822)
Repayment of hire purchase liabilities	(3,069,068)	(4,244,714)
Payment of principal portion of lease liability	(63,725)	-
Net cash flows used in financing activities	<u>(21,036,984)</u>	<u>(17,892,594)</u>
Net decrease in cash and cash equivalents	(16,127,574)	(5,846,223)
Effects of exchange rate differences	372,603	86,505
Cash and cash equivalents at beginning of the year	25,518,977	31,278,695
Cash and cash equivalents at end of the year	<u>9,764,006</u>	<u>25,518,977</u>

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

Cash and bank balances	10,959,367	18,850,497
Deposits with licensed banks	13,824,694	21,590,188
Bank overdrafts	(5,701,331)	(5,382,067)
	<u>19,082,730</u>	<u>35,058,618</u>
Less:		
Deposits with maturity period more than 3 months	(9,318,724)	(9,539,641)
	<u>9,764,006</u>	<u>25,518,977</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

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 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. (Loss)/Profit from operating activities

	Current Quarter		Financial Year	
	3 months ended		12 months ended	
	31 December		31 December	
	2019	2018	2019	2018
	RM	RM	RM	RM
Total depreciation	2,579,030	2,585,685	9,525,324	14,210,916
Depreciation capitalised under construction costs	(317,442)	(488,057)	(1,428,758)	(2,605,923)
Depreciation charged to profit from operating activities	2,261,588	2,097,628	8,096,566	11,604,993
Dividend income from available-for-sale investments	(589,435)	(265,557)	(1,920,576)	(717,338)
Fair value changes on financial assets at fair value through profit or loss	-	7,213	11,103	133
Fair value adjustments of investment properties, net	(100,000)	6,520,000	(100,000)	6,520,000
Gain on derecognition of financial liabilities	-	-	-	(4,611,689)
Gain on disposal of :				
- investment in an associate	(1)	-	(1)	-
- property, plant and equipment, net	39,434	(793,148)	(1,709,067)	(1,437,101)
(Gain)/Loss on foreign exchange :				
- realised, net	(131,505)	171,566	127,920	430,991
- unrealised	206,498	(167,303)	203,989	(146,752)
Land held for property development written off	6,221,724	-	6,221,724	-
Property, plant and equipment written off	11,907	1,579	23,638	6,726
Allowance for/(Write back of) impairment loss on:				
- property development	(76,881)	-	432,512	-
- property, plant and equipment	43,226	6,621	43,226	6,621
- trade and other receivables, net	(193,465)	490,880	(1,237,425)	206,775
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.

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Current quarter 3 months ended 31 December 2019							
Revenue							
Total revenue	1,547,245	16,079,922	21,217,097	3,660,131	2,935,972	367,139	45,807,506
Inter-segment sales	(143,208)	(1,305,449)	(206,779)	-	1	(331,876)	(1,987,311)
External sales	1,404,037	14,774,473	21,010,318	3,660,131	2,935,973	35,263	43,820,195
Results							
Segment results	728,598	(530,499)	1,580,381	(5,333,802)	1,199,763	85,877	(2,269,682)
Interest expense	(620,896)	(3,904,834)	(20,175)	-	(91,498)	-	(4,637,403)
Share of profits from associates	-	-	-	136,143	-	-	136,143
(Loss)/Profit before tax	107,702	(4,435,333)	1,560,206	(5,197,659)	1,108,265	85,877	(6,770,942)
Income tax expense	-	-	-	-	-	-	(276,995)
Loss for the period	-	-	-	-	-	-	(7,047,937)
Total Assets							
Segment assets	(334,148)	(6,865,525)	3,114,892	(3,530,462)	(1,240,401)	(1,758,377)	(10,614,021)
Interest in associate	-	-	-	-	-	-	136,143
Unallocated corporate assets	-	-	-	-	-	-	(2,378,095)
Total assets	-	-	-	-	-	-	(12,855,973)
Total Liabilities							
Segment liabilities	(2,793,009)	(1,682,651)	1,319,609	354,071	92,296	(390)	(2,710,074)
Unallocated corporate liabilities	-	-	-	-	-	-	(1,123,322)
Total liabilities	-	-	-	-	-	-	(3,833,396)
Other information							
Capital expenditure	4,101	14,195	849,965	3,899	181,454	-	1,053,614
Impairment loss on:							
Property development	-	-	-	(76,881)	-	-	(76,881)
Property, plant and equipment	19,500	14,013	-	9,713	-	-	43,226
Land held for property development written off	-	-	-	6,221,724	-	-	6,221,724

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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 31 December 2018**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	1,529,973	30,589,903	19,207,680	10,333,332	3,115,229	658,469	65,434,586
Inter-segment sales	(130,608)	(4,725,624)	(746,287)	-	(215)	(262,849)	(5,865,583)
External sales	1,399,365	25,864,279	18,461,393	10,333,332	3,115,014	395,620	59,569,003
Results							
Segment results	(5,898,892)	925,187	1,886,504	2,032,428	1,052,885	70,527	68,639
Interest expense	(733,205)	(548,003)	(20,566)	(2,256)	(80,137)	-	(1,384,167)
Share of profits from associates (Loss)/Profit before tax	-	-	-	253,921	-	-	253,921
Income tax expense	(6,632,097)	377,184	1,865,938	2,284,093	972,748	70,527	(1,061,607)
Loss for the period							<u>(1,626,938)</u>
							<u>(2,688,545)</u>
Total Assets							
Segment assets	(9,212,343)	1,857,015	1,393,688	(8,702,803)	(1,848,851)	262,834	(16,250,460)
Interest in associate							253,922
Unallocated corporate assets							15,848,264
Total assets							<u>(148,274)</u>
Total liabilities							
Segment liabilities	(1,095,227)	8,035,835	39,160	(3,362,146)	(3,368,595)	203,013	452,040
Unallocated corporate liabilities							<u>(105,932)</u>
Total liabilities							<u>346,108</u>
Other information							
Capital expenditure	2,500	676,919	2,833,635	3,504	126,732	-	3,643,290
Impairment loss on property, plant and equipment	-	-	-	6,621	-	-	6,621

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Financial year 12 months
ended 31 December 2019**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	6,400,515	81,549,365	65,503,052	28,653,847	12,045,950	2,819,620	196,972,349
Inter-segment sales	(572,834)	(6,197,058)	(2,766,415)	-	(486)	(1,107,340)	(10,644,133)
External sales	5,827,681	75,352,307	62,736,637	28,653,847	12,045,464	1,712,280	186,328,216
Results							
Segment results	3,555,842	7,963,212	4,689,004	(3,205,417)	3,515,038	1,792,417	18,310,096
Interest expense	(2,557,072)	(3,929,918)	(107,032)	(552)	(374,814)	-	(6,969,388)
Share of profits from associates	-	-	-	71,513	-	-	71,513
Profit/(Loss) before tax	998,770	4,033,294	4,581,972	(3,134,456)	3,140,224	1,792,417	11,412,221
Income tax expense	-	-	-	-	-	-	(4,731,359)
Profit for the year	-	-	-	-	-	-	6,680,862
Total Assets							
Segment assets	136,288,266	90,000,230	71,457,087	117,207,654	58,131,856	1,947,483	475,032,576
Interest in associate	-	-	-	-	-	-	329,597
Unallocated corporate assets	-	-	-	-	-	-	72,036,751
Total assets	-	-	-	-	-	-	547,398,924
Total liabilities							
Segment liabilities	47,767,807	51,196,172	10,758,713	16,061,224	9,725,998	81,077	135,590,991
Unallocated corporate liabilities	-	-	-	-	-	-	2,981,103
Total liabilities	-	-	-	-	-	-	138,572,094
Other information							
Capital expenditure	12,820	23,695	1,949,185	41,179	975,527	-	3,002,406
Impairment loss on:							
Property development	-	-	-	432,512	-	-	432,512
Property, plant and equipment	19,500	14,013	-	9,713	-	-	43,226
Land held for property development written off	-	-	-	6,221,724	-	-	6,221,724

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Financial year 12 months ended 31 December 2018

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	17,727,424	122,494,736	71,501,932	23,217,338	11,931,205	1,748,932	248,621,567
Inter-segment sales	(12,525,346)	(13,015,819)	(4,675,007)	-	(1,102)	(872,116)	(31,089,390)
External sales	5,202,078	109,478,917	66,826,925	23,217,338	11,930,103	876,816	217,532,177
Results							
Segment results	(3,493,374)	1,860,605	5,980,339	7,545,158	3,630,008	154,964	15,677,700
Interest expense	(2,862,935)	(714,698)	(95,525)	(1,597,637)	(316,330)	-	(5,587,125)
Share of profits from associates	-	-	-	258,082	-	-	258,082
(Loss)/Profit before tax	(6,356,309)	1,145,907	5,884,814	6,205,603	3,313,678	154,964	10,348,657
Income tax expense							(3,886,642)
Profit for the year							<u>6,462,015</u>
Total Assets							
Segment assets	136,098,375	122,453,802	77,764,346	130,119,785	62,294,786	3,643,595	532,374,689
Interest in associates							258,085
Unallocated corporate assets							<u>37,457,291</u>
Total assets							<u>570,090,065</u>
Total liabilities							
Segment liabilities	54,617,225	60,431,702	9,137,837	23,669,174	9,673,049	262,733	157,791,720
Unallocated corporate liabilities							<u>4,001,293</u>
Total liabilities							<u>161,793,013</u>
Other information							
Capital expenditure	30,480	1,572,703	5,101,148	41,842	1,265,081	13,472	8,024,726
Impairment loss on property, plant and equipment	-	-	-	6,621	-	-	6,621

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 current financial year to date.

A11. Changes in Composition of the Group

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

A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities

	As at 31 December	
	2019	2018
	RM	RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	79,777,984	107,478,490
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	796,862	360,569
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
	80,574,846	110,639,059

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.

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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 31 December		Financial Year 12 months ended 31 December	
	2019	2018	2019	2018
	RM	RM	RM	RM
Architect fees paid to Arkitek Ding Poi Kooi	(121,041)	-	(121,041)	(295,988)
Purchase of consumables from DKLS Service Station	(2,254)	(3,079)	(9,497)	(5,098)
Purchase of property, plant and equipment from Lee Koon Hian	-	-	-	(1)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(5,780)	(10,720)	(24,120)	(28,820)
Sale commission received from Yu Shuen Development Sdn Bhd	-	-	-	17,400
Supply of electricity by Ipoh Tower Sdn Bhd	(18,407)	(18,347)	(76,904)	(72,397)
	<u>(18,407)</u>	<u>(18,347)</u>	<u>(76,904)</u>	<u>(72,397)</u>

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 employment.

A14. Capital Commitments

	As at 31 December 2019 RM
Approved and contracted for: Property, plant and equipment	<u>-</u>

A15. Operating lease commitments - as lessor

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

	As at 31 December 2019 RM
Not later than 1 year	4,193,360
Later than 1 year but not later than 5 years	2,822,535
	<u>7,015,895</u>

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B. Additional information required by BMSB's Listing Requirements**B1. Operating Segment Review****(a) Review of Performance for 4Q19 vs 4Q18**

The Group recorded revenue of RM43.820 million for the fourth quarter ended 31 December 2019 (4Q19), decreased by RM15.749 million (or 26.4%), as compared to the revenue of RM59.569 million for the corresponding quarter ended 31 December 2018 (4Q18). The Group has recorded a pre-tax loss of RM6.771 million for 4Q19 as compared to a pre-tax loss of RM1.062 million for 4Q18. The lower revenue and higher pre-tax loss of the Group can be analysed as below:-

4Q19 vs 4Q18

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	4	6,740
Construction	(11,090)	(4,813)
Quarry	2,549	(306)
Property development	(6,673)	(7,482)
Utilities	(179)	137
Others	(360)	15
	<u>(15,749)</u>	<u>(5,709)</u>

The substantial losses incurred in 4Q19's results was mainly due to following exception items:

- land held for property development written off due to uncertainty of obtaining title of RM6.222 million (4Q18 : RMNil)
- higher interest expense of RM4.637 million (4Q18 : RM1.384 million) mainly attributed from discounting of long term receivables
- higher depreciation charges of RM2.262 million (4Q18 : RM2.098 million) due to revision of estimated useful life of certain types of plant in one of subsidiary company
- loss on disposal of property, plant and equipment of RM0.039 million (4Q18 : gain on disposal of RM0.793 million)
- lower interest income of RM0.680 million (4Q18 : RM1.410 million)
- gain on fair value adjustments on investment properties of RM0.100 million (4Q18 : loss on fair value adjustments of RM6.520 million)
- reversal of impairment losses on receivables of RM0.193 million (4Q18 : impairment losses on receivables of RM0.491 million)

If these were excluded, the Group would have recorded a pre-tax profit of RM5.416 million (4Q18 : RM7.228 million) on the turnover of RM43.820 million (4Q18 : RM59.569 million) with consistent margin as compared to the previous year corresponding quarter.

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B. Additional information required by BMSB's Listing Requirements (cont'd.)**B1. Operating Segment Review (cont'd.)****(b) Review of Performance to date for FY19 vs FY18**

For the current financial year ended 31 December 2019 (FY19) under review, the Group recorded a lower revenue of RM186.328 million, a decrease of RM31.204 million (or 14.3%), as compared to the revenue of RM217.532 million for the corresponding financial year ended 31 December 2018 (FY18). Despite the lower revenue recorded, the Group achieved a slightly higher pre-tax profit of RM11.412 million an increase of RM1.063 million (or 10.3%) as compared to the pre-tax profit of RM10.349 million for FY18. The lower revenue and the higher pre-tax profit of the Group can be analysed as below:-

FY19 vs FY18

Increase/(Decrease)

	Revenue	Pre-tax profit
	RM'000	RM'000
Investment	626	7,355
Construction	(34,127)	2,887
Quarry	(4,090)	(1,303)
Property development	5,437	(9,340)
Utilities	115	(173)
Others	835	1,638
	<u>(31,204)</u>	<u>1,064</u>

Investment

For the current financial year to date under review, the investment segment continues to derive rental income from its investment property in Bangsar South. The increase in revenue of RM5.828 million as compared to RM5.202 million in the corresponding financial year was arising from the fully tenanted of the whole investment property.

The investment segment reflected a pre-tax profit of RM0.999 million as compared to a pre-tax loss of RM6.356 million in the corresponding financial year. This was substantially due to no fair value adjustment on investment properties in FY19 as compared to RM6.900 million adjusted in FY18.

The current financial year's results was also strengthened from the higher revenue and the lower expenses such as interest expense of RM2.557 million (FY18 : RM2.863 million), depreciation of RM0.256 million (FY18 : RM0.457 million) but slightly impacted from 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 and foreign exchange loss of RM0.099 million (FY18 : foreign exchange gain of RM0.195 million).

Construction

The construction segment has recorded a higher pre-tax profit of RM4.033 million (FY18 : RM1.146 million) despite a lower revenue of RM75.352 million (FY18 : RM109.479 million) for the current financial year under review.

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 RM3.096 million (FY18 : RM7.161 million) but partially off-set by the impairment losses on receivables of RM0.346 million (FY18 : reversal of impairment losses on receivables of RM0.519 million) and higher interest of RM3.904 million (FY18 : RM0.715 million) mainly attributed from discounting of long term receivables.

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

B1. Operating Segment Review (cont'd.)

(b) Review of Performance to date for FY19 vs FY18 (cont'd.)

Quarry

The quarry segment continues to operate under the stiff and competitive environment which reflected in a lower revenue of RM62.737 million (FY18 : RM66.827 million) and a lower pre-tax profit of RM4.582 million (FY18 : RM5.885 million).

The profit margin had also eroded due to stiff competitive pricing to remain in the market share which was lack of new developments and no major road maintenance works being kick off during the current financial year.

Property Development

Despite a higher revenue achieved of RM28.654 million (FY18 : RM23.217 million), the property development segment recorded a substantial pre-tax loss of RM3.134 million as compared to a pre-tax profit of RM6.206 million in FY18 because of the exceptional loss arising from land held for property development written off due to uncertainty in obtaining title of RM6.222 million (FY18 : RMNil) and impairment loss on property development of RM0.432 million (FY18 : RMNil) versus an exceptional net gain of RM3.021 million recorded in FY18 (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) and share of profits from associates of RM0.071 million (FY18 : RM0.258 million).

If these were excluded, the property development segment would have recorded a pre-tax profit of RM3.449 million (FY18 : RM2.927 million) with consistent margin as compared to the corresponding financial year.

Utilities

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

Despite a higher revenue of RM12.045 million (FY18 : RM11.930 million), the pre-tax profit has declined slightly from RM3.313 million to RM3.140 million. The lower pre-tax profit was mainly due to higher depreciation charges of RM3.232 million (FY18 : RM2.659 million) resulted from the revision of estimated useful life of certain types of plant, which partially net off with the lower foreign exchange losses of RM0.085 million (FY18 : RM0.252 million) and lower impairment losses on receivables of RM0.043 (FY18 : RM0.148 million).

If these were excluded from the pre-tax profit, the utilities segment would have recorded a 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 RM1.793 million (FY18 : RM0.155 million) due to the reversal of provision for impairment loss on trade receivable of RM1.600 million (FY18 : RMNil) from the recovery of debts previously provided and the related legal fees of RM0.147 million (FY18 : RM0.075 million).

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

B2. Variance of Results Against Preceding Quarter

	Current quarter 31 December 2019 RM'000	Immediate preceding quarter 30 September 2019 RM'000	Changes amount RM'000
Revenue	43,820	44,478	(658)
Pre-tax (loss)/profit	(6,771)	10,482	(17,253)

The Group recorded a lower revenue and a pre-tax loss as compared to the immediate preceding quarter.

The substantial loss recorded in 4Q19 was mainly due to the following exceptional items:-

- (a) land held for property development written off due to uncertainty in obtaining title of RM6.222 million (3Q19 : RMNil)
- (b) reversal of impairment loss on property development of RM0.077 million (3Q19 : impairment loss of RM0.509 million)
- (c) higher interest expenses of RM4.637 million (3Q18 : RM0.748 million) mainly attributed from discounting of long term receivables
- (d) higher depreciation charges of RM2.262 million due to revision of estimated useful life of certain types of plant in one of the subsidiary company (3Q19 : RM1.909 million)
- (e) reversal of impairment losses on receivables of RM0.193 million (3Q19 : RM0.951 million)

If these were excluded from pre-tax profit, the Group would have recorded a lower profit in 4Q19 of RM6.080 million with lower profit margin as compared to RM12.697 million in 3Q19 on fairly consistent revenue. The lower margin in 4Q19 was mainly contributed from the on-going projects as compared to contribution from completed projects in 3Q19 which generally yield higher margin.

B3. Prospects

The Malaysian economic growth has moderated to 4.3% for full year 2019 (2018 : 4.7%) with construction sector showing a growth in fourth quarter 2019 of 1.0% (3Q19 : -0.5%). Construction sector recovered to 1.0%, due to higher capital spending in the civil engineering and residential segment. Despite the slight recovery in construction sector in 2019, the Group anticipates that the construction sector will still remain to be very challenging and competitive for year 2020 as the sector is susceptible to changes in government policies and delays in public-sector project awards. The construction segment is reliant on public sector project to replenish construction order books as construction demand from the property sector remains weak.

With the recently concluded National Home Ownership Campaign in 2019 which saw an increase sales in the initial period of January to June 2019 as homebuyers rushed to take advantage of the discounts and stamp duty savings before they lapsed whilst sales at a slower pace in the second half of 2019 as most the serious buyers would have bought earlier and with Youth Housing Scheme as well as the Rent-to-Own concept will drive the momentum of the property industry and ultimately, will contribute to the nation's economy growth. The Group believes that the medium to long term outlook is still positive backed by a strong base of a young and growing population.

The Group anticipates that there will always be demand for quality products at affordable pricing and in strategic locations and tailored more products to appeal to young families and the young working class. Moving forward, the Group is working into developing more affordable, accessible and well planned residential products with emphasis on lifestyle living to tap into this category and continues to take proactive initiatives to ensure that the Group can continue to serve the demand in the property market.

Sale of quarry products and related products continues to face intense competition from the existing and new players and continues in working toward achieving more market shares.

Taking into consideration of the above-mentioned and barring unforeseen circumstances, the directors expect the Group's operating environment to be competitive and challenging and able to sustain the profitability for 2020.

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

B4. Income tax expense

	Current Quarter 3 months ended 31 December		Financial Year 12 months ended 31 December	
	2019 RM	2018 RM	2019 RM	2018 RM
Current income tax:				
Malaysia income tax	543,174	50,442	3,395,387	3,020,525
Foreign tax	234,550	798,429	703,517	798,429
Real property gains tax	(755)	-	10,968	-
(Over)/Under provision in prior years	(16,438)	-	6,665	187,870
	<u>760,531</u>	<u>848,871</u>	<u>4,116,537</u>	<u>4,006,824</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	(878,473)	469,346	128,679	(101,799)
Under/(Over) provision in prior years	6,074	16,579	97,280	(310,525)
	<u>(872,399)</u>	<u>485,925</u>	<u>225,959</u>	<u>(412,324)</u>
Withholding tax	<u>388,863</u>	<u>292,142</u>	<u>388,863</u>	<u>292,142</u>
Income tax expense	<u>276,995</u>	<u>1,626,938</u>	<u>4,731,359</u>	<u>3,886,642</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.

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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 31 December		Financial Year 12 months ended 31 December	
	2019	2018	2019	2018
	RM	RM	RM	RM
Profit before tax	(6,770,942)	(1,061,607)	11,412,221	10,348,657
Taxation at applicable tax rates	(1,625,026)	(254,785)	2,738,933	2,483,678
Income not subject to tax	(1,553,496)	(822,924)	(2,316,854)	(2,091,269)
Expenses not deductible for tax purposes	3,370,902	2,116,878	4,019,017	3,581,054
Current year tax losses that cannot be carried forward	546	488	853	775
Difference in tax rate of foreign subsidiaries	(53,760)	(54,354)	(142,536)	(159,698)
Deferred tax assets not recognised	265	-	1,874	2,382
Deferred tax on fair value adjustment	999	605,871	999	605,871
Deferred tax on undistributed earnings from foreign subsidiary	(114,683)	(24,347)	(74,703)	(24,347)
Effect of reduction in tax rate on incremental chargeable income	-	(52,623)	-	(64,490)
Prior year unutilised tax losses and unabsorbed capital allowances recognised as deferred tax assets in current year	-	(161,742)	-	(171,120)
Real property gains tax	(755)	-	10,968	-
Utilisation of previously unrecognised deferred tax assets	-	(4,658)	-	(445,681)
Withholding tax	262,367	262,555	388,863	292,142
(Over)/Under provision of current tax in prior years	(16,438)	-	6,665	187,870
Under/(Over) provision of deferred tax in prior years	6,074	16,579	97,280	(310,525)
Income tax expense	276,995	1,626,938	4,731,359	3,886,642

B5. Corporate Proposals and Profit Forecast

Not applicable as no profit forecast was published.

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

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

B6. Borrowing and Debt Securities

	As at 31 December	
	2019	2018
	RM	RM
Short term borrowings		
Bank overdrafts (secured)	5,683,619	5,382,067
Bank overdrafts (unsecured)	17,713	-
Bankers' acceptances (unsecured)	-	833,364
Hire purchase liabilities (secured)	1,387,774	2,877,017
Lease liabilities (unsecured)	45,941	-
Revolving credit (secured)	1,205,980	3,000,000
Term loans (secured)	5,000,004	7,000,004
	<u>13,341,031</u>	<u>19,092,452</u>
Long term borrowings		
Hire purchase liabilities (secured)	28,852	1,157,177
Lease liabilities (unsecured)	122,799	-
Term loans and bridging loan (secured)	46,500,779	55,049,208
	<u>46,652,430</u>	<u>56,206,385</u>
Total borrowings	<u>59,993,461</u>	<u>75,298,837</u>

Loans and borrowings at the reporting date are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RM	RM
Ringgit Malaysia	54,212,923	69,916,770
Lao Kip	5,780,538	5,382,067
	<u>59,993,461</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

The directors are pleased to recommend the payment of first and final single tier dividend for the shareholders' approval at the forthcoming Annual General Meeting as follows:-

- (a) A first and final single tier dividend of 3.00 sen (2018 : 3.00 sen) per share.
- (b) (i) Amount per share : 3.00 sen per share.
(ii) Previous financial year : 3.00 sen per share.
(iii) Total dividend for the current financial year : 3.00 sen (2018 : 3.00 sen) per share.
- (c) Date of payment will be determined at a later date.
- (d) Date of entitlement will be determined at a later date.

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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 31 December		Financial Year 12 months ended 31 December	
	2019	2018	2019	2018
	RM	RM	RM	RM
Profit attributable to owners of the Company	(7,320,895)	(2,976,902)	5,827,583	5,546,908
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	(7.90)	(3.21)	6.29	5.98

(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, as a Turnkey Contractor, in the ordinary course of business has advanced a total of RM17.9 million to its main contractor to finance the development works.

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 31 December 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	-	-	117,290,000

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)	-	67,549,761	-
	<hr/>	<hr/>	<hr/>
Financial liabilities			
Other commitments	-	2,527,944	-
	<hr/>	<hr/>	<hr/>

Quoted equity instruments

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

Unit trust fund (quoted)

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.

Dated : 28 February 2020