

DKLS INDUSTRIES BERHAD (199501040269) (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter and 6 months ended 30 June 2020 - unaudited**

	Note	Current Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
		2020	2019	2020	2019
		RM	RM	RM	RM
Revenue		26,874,124	60,987,173	51,456,372	98,029,894
Interest income		661,093	409,240	1,271,388	616,232
Other income		1,658,825	1,458,886	3,481,462	3,314,178
Operating expenses		(17,121,823)	(50,488,189)	(34,686,075)	(77,334,724)
Changes in work-in-progress and finished goods		62,070	100,139	644,660	309,154
Employee benefit expenses		(2,892,778)	(3,292,447)	(8,090,061)	(8,447,099)
Administrative expenses		(4,137,001)	(3,339,728)	(8,091,648)	(7,160,415)
Profit from operating activities	A8	<u>5,104,510</u>	<u>5,835,074</u>	<u>5,986,098</u>	<u>9,327,220</u>
Interest expense		(594,045)	(787,773)	(1,248,212)	(1,583,888)
Share of losses from associates		(18,774)	(22,207)	(37,375)	(42,388)
Profit before tax		<u>4,491,691</u>	<u>5,025,094</u>	<u>4,700,511</u>	<u>7,700,944</u>
Income tax expense		(937,115)	(1,135,624)	(859,385)	(1,835,029)
Profit for the period, net of tax		<u>3,554,576</u>	<u>3,889,470</u>	<u>3,841,126</u>	<u>5,865,915</u>
Other comprehensive income, net of tax					
Items that will be reclassified to profit or loss in the future:					
Foreign currency translation differences for foreign operations		(775,260)	196,046	1,175,757	(616,236)
Other comprehensive income for the period, net of tax		<u>(775,260)</u>	<u>196,046</u>	<u>1,175,757</u>	<u>(616,236)</u>
Total comprehensive income for the period		<u>2,779,316</u>	<u>4,085,516</u>	<u>5,016,883</u>	<u>5,249,679</u>
Profit for the period attributable to:					
Owners of the Company		3,386,915	3,540,392	3,704,541	5,385,025
Non-controlling interests		167,661	349,078	136,585	480,890
Profit for the period		<u>3,554,576</u>	<u>3,889,470</u>	<u>3,841,126</u>	<u>5,865,915</u>
Total comprehensive income attributable to:					
Owners of the Company		2,774,060	3,695,531	4,635,469	4,899,366
Non-controlling interests		5,256	389,985	381,414	350,313
Total comprehensive income for the period		<u>2,779,316</u>	<u>4,085,516</u>	<u>5,016,883</u>	<u>5,249,679</u>
Basic/Diluted, earnings per ordinary share (sen)		<u>3.65</u>	<u>3.82</u>	<u>4.00</u>	<u>5.81</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2019 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (199501040269) (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Financial Position
As at 30 June 2020 - unaudited**

	30 June 2020 RM	31 December 2019 RM
ASSETS		
Non-current Assets		
Property, plant and equipment	112,755,534	116,123,530
Right-of-use assets	134,898	162,096
Land held for property development	80,035,838	79,557,780
Investment properties	117,150,000	117,290,000
Investment in associates	292,222	329,597
Long term investments	18,780	25,823
Trade and other receivables	18,721,715	17,804,618
Deferred tax assets	4,061,397	4,028,659
Total non-current assets	333,170,384	335,322,103
Current Assets		
Property development costs	14,857,915	10,244,994
Inventories	57,691,887	59,992,865
Trade and other receivables	28,736,903	45,206,504
Other current assets	3,620,986	3,998,216
Short term investments	73,103,071	67,549,761
Tax recoverable	711,803	432,509
Cash and cash equivalents	24,250,018	24,784,061
Total current assets	202,972,583	212,208,910
TOTAL ASSETS	536,142,967	547,531,013
EQUITY AND LIABILITIES		
Equity		
Share capital	101,883,643	101,883,643
Retained profits	301,748,073	298,043,532
Reserves	1,374,754	443,826
Equity attributable to owners of the Company	405,006,470	400,371,001
Non-controlling interests	8,962,355	8,580,941
Total equity	413,968,825	408,951,942
Non-current Liabilities		
Loans and borrowings	41,397,162	46,658,683
Other payables	1,847,767	1,925,127
Deferred tax liabilities	2,317,281	2,408,913
Total non-current liabilities	45,562,210	50,992,723
Current Liabilities		
Loans and borrowings	14,199,387	13,334,779
Trade and other payables	31,203,924	40,512,915
Other current liabilities	30,523,643	33,166,464
Tax payable	684,978	572,190
Total current liabilities	76,611,932	87,586,348
Total liabilities	122,174,142	138,579,071
TOTAL EQUITY AND LIABILITIES	536,142,967	547,531,013
Net assets per share attributable to owners of the Company (RM)	4.37	4.32

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2019 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (199501040269) (369472 - P)

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**Condensed Consolidated Statement of Changes in Equity
For 6 months ended 30 June 2020 unaudited**

	← Attributable to owners of the Company →					Distributable	Total RM	Non- controlling interests RM	Total equity RM
	Share capital RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Charter capital reserve RM	Other reserve RM				
6 months ended 30 June 2020									
Balance at 1 January 2020	101,883,643	(3,313,253)	1,157,522	3,026,004	(426,447)	298,043,532	400,371,001	8,580,941	408,951,942
Total comprehensive income for the period	-	930,928	-	-	-	3,704,541	4,635,469	381,414	5,016,883
Balance at 30 June 2020	101,883,643	(2,382,325)	1,157,522	3,026,004	(426,447)	301,748,073	405,006,470	8,962,355	413,968,825
6 months ended 30 June 2019									
Balance at 1 January 2019	101,883,643	(1,583,043)	1,157,522	3,026,004	(426,447)	294,871,825	398,929,504	9,367,548	408,297,052
Total comprehensive income for the period	-	(485,659)	-	-	-	5,385,025	4,899,366	350,313	5,249,679
Balance at 30 June 2019	101,883,643	(2,068,702)	1,157,522	3,026,004	(426,447)	300,256,850	403,828,870	9,717,861	413,546,731

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2019 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (199501040269) (369472 - P)

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**Condensed Consolidated Statement of Cash Flows
For the 6 months ended 30 June 2020 - unaudited**

	Cumulative Quarter 6 months ended 30 June	
	2020	2019
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation :	4,700,511	7,700,944
Adjustment for :-		
Depreciation	5,346,959	4,708,384
Dividend income from long/short term investments	(1,027,809)	(835,270)
Fair value changes on long/short term investments	7,043	9,326
Gain on disposal of property, plant and equipment, net	(183,658)	(1,611,180)
Interest expense	1,257,898	1,599,051
Interest income	(1,271,388)	(616,232)
Property, plant and equipment written off	877	10,829
Share of losses of associates	37,375	42,388
Unrealised (gain)/loss on foreign exchange	(432,716)	38,600
(Write back of)/Allowance for impairment losses on:		
- property development	(132,835)	-
- trade and other receivables	655,237	(93,429)
Operating profit before changes in working capital	<u>8,957,494</u>	<u>10,953,411</u>
Changes in working capital:-		
Net changes in current assets	13,866,307	15,690,705
Net changes in current liabilities	(12,036,249)	1,441,964
Cash flows from operations	<u>10,787,552</u>	<u>28,086,080</u>
Interest paid	(181,767)	(280,823)
Interest received	257,459	164,834
Taxes paid	(1,149,985)	(2,639,583)
Net cash flows from operating activities	<u>9,713,259</u>	<u>25,330,508</u>

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**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 6 months ended 30 June 2020 - unaudited**

	Cumulative Quarter 6 months ended 30 June	
	2020 RM	2019 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	388,642	524,559
Land held for property development	(305,925)	(1,901,085)
Net dividend received from long/short term investments	1,027,809	835,270
Placement of deposits with maturity period more than 3 months	(385,123)	(379,990)
Proceeds from disposal of:		
- investment properties	140,000	-
- property, plant and equipment	288,600	3,616,641
- short term investments	24,145,000	40,638,000
Purchase of:		
- property, plant and equipment	(376,578)	(1,378,410)
- short term investments	(29,698,310)	(68,943,153)
Withdrawal of deposits with maturity period more than 3 months	-	499,266
Net cash flows used in investing activities	<u>(4,775,885)</u>	<u>(26,488,902)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling interest	(643,657)	(382,206)
Interest paid	(1,326,318)	(1,670,508)
Payment of principal portion of lease liability	(27,535)	-
Repayment of term loan	(2,500,002)	(4,500,002)
Repayment of hire purchase liabilities	(885,682)	(2,059,062)
Net cash flows used in financing activities	<u>(5,383,194)</u>	<u>(8,611,778)</u>
Net decrease in cash and cash equivalents	(445,820)	(9,770,172)
Effects of exchange rate differences	(323,050)	130,081
Cash and cash equivalents at beginning of the period	<u>9,764,005</u>	<u>25,518,976</u>
Cash and cash equivalents at end of the period	<u><u>8,995,135</u></u>	<u><u>15,878,885</u></u>

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

Cash and bank balances	10,824,621	11,298,331
Deposits with licensed banks	<u>13,425,397</u>	<u>22,775,028</u>
	24,250,018	34,073,359
Less:		
Bank overdrafts	(5,123,524)	(8,783,405)
Deposits with maturity period more than 3 months	<u>(10,131,359)</u>	<u>(9,411,069)</u>
	<u><u>8,995,135</u></u>	<u><u>15,878,885</u></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2019 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 2019. 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 2019.

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 2019 except as follows:

On 1 January 2020, the Group adopted the following applicable amended MFRSs mandatory for annual financial period beginning on or after 1 January 2020.

Amendments to References to the Conceptual Framework in MFRS Standards
Definition of a Business (Amendments to MFRS 3 : Business Combination)
Interest Rate Benchmark Reform (Amendments to MFRS 9 : Financial Instruments, MFRS 139 :
Financial Instruments : Recognition and Measurement and MFRS 7 : Financial Instruments :
Disclosures)
Definition of Material (Amendments to MFRS 101 : Presentation of Financial Statements and
MFRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors)

Adoption of the above standards did not have any 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 2019, which was approved at the Annual General Meeting on 27 July 2020, will be paid on 23 October 2020 to shareholders whose names appear in the Record of Depositors on 30 September 2020.

A8. Profit from operating activities

Current Quarter		Cumulative Quarter	
3 months ended		6 months ended	
30 June		30 June	
2020	2019	2020	2019
RM	RM	RM	RM

The following items have been included in arriving at profit from operating activities:

Total depreciation	2,667,362	2,270,077	5,346,959	4,708,384
Depreciation capitalised under construction costs	(445,771)	(379,646)	(730,835)	(782,719)
Depreciation charged to profit from operating activities	2,221,591	1,890,431	4,616,124	3,925,665
Dividend income from long/short term investments	(516,534)	(585,716)	(1,027,809)	(835,270)
Fair value changes on long/short term investments	-	7,613	7,043	9,326
Gain on disposal of property, plant and equipment, net	(182,468)	(508,926)	(183,658)	(1,611,180)
(Gain)/loss on foreign exchange :				
- realised	(9,973)	30,042	21,470	47,099
- unrealised	196,297	(166,160)	(432,716)	38,600
Property, plant and equipment written off	-	-	877	10,829
(Write back of)/Allowance for impairment losses on:				
- property development	(28,334)	-	(132,835)	-
- trade and other receivables	433,452	(311,589)	655,237	(93,429)
- property, plant and equipment	N/A	N/A	N/A	N/A
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 30 June 2020							
Revenue							
Total revenue	1,240,679	13,962,288	8,262,686	1,995,433	3,127,787	233,338	28,822,211
Inter-segment sales	(133,309)	(1,449,577)	(131,863)	-	-	(233,338)	(1,948,087)
External sales	1,107,370	12,512,711	8,130,823	1,995,433	3,127,787	-	26,874,124
Results							
Segment results	1,011,391	2,712,596	277,733	461,045	573,515	68,230	5,104,510
Interest expense	(491,587)	(611)	(15,767)	(2,247)	(83,435)	(398)	(594,045)
Share of losses of associates	-	-	-	(18,774)	-	-	(18,774)
Profit before tax	519,804	2,711,985	261,966	440,024	490,080	67,832	4,491,691
Income tax expense							(937,115)
Profit for the period							3,554,576
Total Assets							
Segment assets	70,991	(5,701,676)	1,385,088	1,881,455	(1,494,659)	(1,033,838)	(4,892,639)
Interest in associates							(18,774)
Unallocated corporate assets							5,752,004
Total assets							840,591
Total Liabilities							
Segment liabilities	(1,433,534)	(2,090,320)	1,071,842	414,865	(470,147)	(21,176)	(2,528,470)
Unallocated corporate liabilities							589,744
Total liabilities							(1,938,726)
Other Information							
Capital expenditure	2,569	10,596	11,897	-	37,469	-	62,531

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A. Notes to the Interim Financial Statements (cont'd.)**A9. Segmental reporting (cont'd.)****Business Segments (cont'd.)**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Current quarter 3 months ended 30 June 2019							
Revenue							
Total revenue	1,624,292	32,945,448	17,333,584	8,061,331	3,321,912	1,165,365	64,451,932
Inter-segment sales	(143,209)	(2,198,195)	(826,070)	-	(200)	(297,085)	(3,464,759)
External sales	1,481,083	30,747,253	16,507,514	8,061,331	3,321,712	868,280	60,987,173
Results							
Segment results	1,284,570	613,929	1,641,482	680,314	1,484,498	130,281	5,835,074
Interest expense	(656,712)	(5,784)	(27,971)	-	(97,306)	-	(787,773)
Share of losses of associates	-	-	-	(22,207)	-	-	(22,207)
Profit before tax	627,858	608,145	1,613,511	658,107	1,387,192	130,281	5,025,094
Income tax expense							(1,135,624)
Profit for the period							<u>3,889,470</u>
Total Assets							
Segment assets	342,361	(2,398,130)	1,200,232	(2,575,348)	(1,185,774)	(496,453)	(5,113,112)
Interest in associates							(22,207)
Unallocated corporate assets							14,320,785
Total assets							<u>9,185,466</u>
Total Liabilities							
Segment liabilities	(1,306,609)	4,172,718	3,981,344	(841,664)	(1,023,629)	(93,528)	4,888,632
Unallocated corporate liabilities							211,318
Total liabilities							<u>5,099,950</u>
Other Information							
Capital expenditure	-	-	351,245	-	180,160	-	531,405

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A. Notes to the Interim Financial Statements (cont'd.)**A9. Segmental reporting (cont'd.)****Business Segments (cont'd.)**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Cumulative quarter 6 months ended 30 June 2020							
Revenue							
Total revenue	4,696,576	27,892,319	16,304,484	5,072,153	5,987,566	590,548	60,543,646
Inter-segment sales	(2,266,617)	(5,405,053)	(840,692)	-	-	(574,912)	(9,087,274)
External sales	2,429,959	22,487,266	15,463,792	5,072,153	5,987,566	15,636	51,456,372
Results							
Segment results	2,104,771	2,913,867	(396,999)	404,932	754,750	204,777	5,986,098
Interest expense	(1,042,244)	(2,182)	(31,475)	(2,247)	(169,446)	(618)	(1,248,212)
Share of losses of associates	-	-	-	(37,375)	-	-	(37,375)
Profit/(Loss) before tax	1,062,527	2,911,685	(428,474)	365,310	585,304	204,159	4,700,511
Income tax expense							(859,385)
Profit for the period							3,841,126
Total Assets							
Segment assets	136,678,066	85,406,380	64,637,160	114,545,738	56,206,071	482,279	457,955,694
Interest in associates							292,222
Unallocated corporate assets							77,895,051
Total assets							536,142,967
Total Liabilities							
Segment liabilities	43,908,003	46,147,912	6,876,335	13,615,332	8,553,386	70,915	119,171,883
Unallocated corporate liabilities							3,002,259
Total liabilities							122,174,142
Other Information							
Capital expenditure	2,569	308,586	166,793	-	163,231	899	642,078

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A. Notes to the Interim Financial Statements (cont'd.)**A9. Segmental reporting (cont'd.)****Business Segments (cont'd.)**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Cumulative quarter 6 months ended 30 June 2019							
Revenue							
Total revenue	3,264,885	47,019,616	29,414,971	16,094,007	6,188,455	2,188,744	104,170,678
Inter-segment sales	(286,417)	(3,637,183)	(1,663,506)	-	(471)	(553,207)	(6,140,784)
External sales	<u>2,978,468</u>	<u>43,382,433</u>	<u>27,751,465</u>	<u>16,094,007</u>	<u>6,187,984</u>	<u>1,635,537</u>	<u>98,029,894</u>
Results							
Segment results	1,827,096	1,546,334	2,046,576	1,680,040	2,020,305	206,869	9,327,220
Interest expense	(1,304,323)	(21,803)	(64,226)	-	(193,536)	-	(1,583,888)
Share of losses of associates	-	-	-	(42,388)	-	-	(42,388)
Profit before tax	<u>522,773</u>	<u>1,524,531</u>	<u>1,982,350</u>	<u>1,637,652</u>	<u>1,826,769</u>	<u>206,869</u>	<u>7,700,944</u>
Income tax expense							<u>(1,835,029)</u>
Profit for the period							<u><u>5,865,915</u></u>
Total Assets							
Segment assets	136,245,224	107,486,848	75,997,655	122,500,269	60,869,450	3,261,429	506,360,875
Interest in associates							215,696
Unallocated corporate liabilities							66,600,380
Total assets							<u><u>573,176,951</u></u>
Total Liabilities							
Segment liabilities	52,056,752	62,481,697	11,393,882	20,208,443	9,328,288	128,736	155,597,798
Unallocated corporate liabilities							4,032,422
Total liabilities							<u><u>159,630,220</u></u>
Other Information							
Capital expenditure	8,719	9,500	680,725	33,683	645,783	-	1,378,410

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 composition of the Group for the financial year to date.

A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities

	As at 30 June	
	2020	2019
	RM	RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	76,350,604	116,160,299
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	35,917	733,123
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
	76,386,521	119,693,422

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 recognised 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 2019.

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 June		Cumulative Quarter 6 months ended 30 June	
	2020	2019	2020	2019
	RM	RM	RM	RM
Purchase of consumables from DKLS Service Station	(1,087)	(2,806)	(2,335)	(5,203)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(2,920)	(6,250)	(8,420)	(12,640)
Rental income from Sri Ikhlas Kredit Sdn Bhd	300	-	300	-
Supply of electricity by Ipoh Tower Sdn Bhd	(14,791)	(20,178)	(32,706)	(39,715)

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. Operating lease commitments - as lessor

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

	As at 30 June 2020 RM
Not later than 1 year	4,878,331
Later than 1 year but not later than 5 years	2,200,320
	<u>7,078,651</u>

B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

(a) Review of Performance for 2Q20 vs 2Q19

For the current quarter under review (2Q20), the Group posted revenue of RM26.874 million, a decrease of RM34.113 million or 55.9% as compared to RM60.987 million in the corresponding quarter of the preceding year (2Q19). Along with the decline in revenue, the Group registered a lower pre-tax profit of RM4.492 million, a decrease of RM0.533 million or 10.6% from its corresponding quarter of the preceding year's pre-tax profit of RM5.025 million. The lower revenue and pre-tax profit of the Group can be analysed as below:-

2Q20 vs 2Q19

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	(374)	(108)
Construction	(18,234)	2,104
Quarry	(8,377)	(1,352)
Property development	(6,066)	(218)
Utilities	(194)	(897)
Others	(868)	(62)
	<u>(34,113)</u>	<u>(533)</u>

(b) Review of Performance to date for FY20 vs FY19

For the financial year to date (FY20), the Group recorded revenue of RM51.456 million as compared to RM98.030 million in the corresponding preceding year to date (FY19) which represented a decrease of RM46.574 million or 47.5%. Correspondingly, the pre-tax profit of the Group for FY20 reduced to RM4.701 million represented a decrease of RM3.0 million or 38.9% from FY19's pre-tax profit of RM7.701 million. The lower revenue and pre-tax profit of the Group can be analysed as below:-

FY20 vs FY19

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	(549)	540
Construction	(20,895)	1,387
Quarry	(12,288)	(2,411)
Property development	(11,022)	(1,272)
Utilities	(200)	(1,241)
Others	(1,620)	(3)
	<u>(46,574)</u>	<u>(3,000)</u>

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

B1. Operating Segment Review (cont'd.)

Investment

The investment segment derives its main income from investment properties.

The lower revenue achieved in FY20 is mainly due to expiry and early termination of certain leases. This was further impacted by the rental assistance provided to the tenants during the Movement Control Order (MCO) period to contain the Covid-19 pandemic.

Despite achieving a lower revenue, the investment segment has recorded a higher pre-tax profit of RM1.063 million in FY20 (FY19 : RM0.523 million) mainly due to:-

1. Compensation received of RM0.292 million from a tenant due to early termination of lease (FY19 : RMNil)
2. The unrealised gain on foreign exchange of RM0.428 million (FY19 : unrealised loss on foreign exchange of RM0.007 million)
3. Lower interest expense of RM1.042 million (FY19 : RM1.304 million)

Construction

Revenue for FY20 decreased to RM22.487 million as compared to RM43.382 million in FY19 due to decline in progress billing and suspension of physical construction works for all ongoing projects during the nationwide Movement Control Order ("MCO") period.

However, the pre-tax profit for FY20 had increased to RM2.912 million as compared to RM1.525 million in FY19 mainly due to contribution from the previous completed project upon obtaining final approval from main contractor and the recovery of certain loss and expenses arising from one of the near completion projects on hand in FY20 which help in covering part of the administrative and staff costs incurred during the suspension of construction works of 2.5 months. The construction segment had resumed its physical construction works by the end of May under strict standard operating procedures. Steps have been put in place to catch up on delays and minimise the overall disruption to the project's construction schedule and relevant extension of time have also been obtained to avoid any liquidated ascertained damages claim.

Quarry

The quarry segment's revenue for FY20 of RM15.463 million was 44.3% lower than FY19 revenue of RM27.751 million, representing a decrease of RM12,288 million, mainly due to the negative impact caused by the suspension of the quarry operations during the MCO period.

Along with the decline in revenue, the quarry segment registered a pre-tax loss of RM0.429 million in FY20 versus a pre-tax profit of RM1.982 million in FY19. The decline in the financial performance is primarily attributed to lower sales volume due to the temporary suspension of quarry operations and compounded by higher raw material costs incurred.

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

B1. Operating Segment Review (cont'd.)

Property Development

Revenue for the current financial year to date decreased to RM5.072 million as compared to RM16.094 million in the preceding corresponding period.

In tandem with the drop in revenue, the pre-tax profit declined to RM0.369 million as compared to RM1.638 million in the corresponding preceding period. This weaker performance was mainly due to the implementation of the MCO resulting in softer property market and the contraction of the purchasing power of purchasers and temporary major disruption to the progress of property development projects at site.

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.

Utilities segment has recorded a lower pre-tax profit of RM0.585 million (FY19 : RM1.826 million) as a result of a lower turnover of RM5.988 million (FY19 : RM6.188 million). Lao government implemented a nationwide lockdown due to COVID-19 pandemic which took effect from 30 March 2020 to 3 May 2020, however the utilities segment was not substantially affected as it is a provision of essential services. The lower pre-tax profit was mainly due to higher depreciation charges resulted from the revision of estimated useful life of certain types of plant in 4Q19. If these were excluded from pre-tax profit, the utilities segment would have recorded a consistent margin with lower turnover.

Others

This segment has recorded a consistent pre-tax profit of RM0.204 million in FY20 (FY19 : RM0.207 million) mainly attributed from agent fees from services rendered.

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

B2. Variance of Results Against Preceding Quarter

	Current Quarter 30 June 2020 (2Q20) RM'000	Immediate Preceding Quarter 31 March 2020 (1Q20) RM'000	Changes Amount RM'000
Revenue	26,874	24,582	2,292
Pre-tax profit	4,492	209	4,283

The revenue and pre-tax profits for 2Q20 and 1Q20 were affected by the following exceptional items respectively:

- a) contribution to revenue of RM4.891 million (1Q20 : RMNil) and pre-tax profit of RM3.292 million (1Q20 : RMNil) from previous completed project upon obtaining final approval
- b) gain on disposal of property, plant and equipment of RM0.182 million (1Q20 : RM0.001 million);
- c) loss on foreign exchange of RM0.196 million (1Q20 : gain on foreign exchange of RM0.629 million);
- d) allowance for impairment loss on receivables of RM0.433 million (1Q20 : RM0.222 million); and
- e) lower staff costs of RM2.893 million (1Q20 : RM5.197 million inclusive of bonus).

If these were excluded, 2Q20 would have recorded lower pre-tax profits of RM4.540 million (1Q20 : RM4.998 million) on a lower revenue of RM21.983 million (1Q20 : RM24.582 million) due to the implementation of the MCO.

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

B3. Propects

The impact of COVID-19 is being felt across all business sectors and industries worldwide. Over the past couple of months, the pandemic has caused local and global financial markets to fluctuate widely, demand and supply shocks, job losses, business closures/suspension and compounded by some pressure from unfavorable exchange rates, higher prices for some raw materials and slow collection.

As the national economy enters into recovery mode, stringent MCO and CMCO were lifted and businesses were allowed to resume operations in stages, however consumer sentiment remains fragile despite a number of welcome initiatives by the Government to stimulate both public and private consumption and assist businesses through targeted assistance and other stimulus packages to stabilise and revive economic activities to ensure Malaysia's sustainability and competitiveness in the new era. However, it remains difficult, as the global pandemic continues to evolve and to predict with any certainty, the overall pace and direction of recovery, particularly as the rates of spread and impacts of COVID-19 remain differentiated between and within countries and region. The Group expects the overall local property market to remain soft with added uncertainty created by the virus outbreak. Over the near term, investors and buyers are expected to defer decision-making as uncertainty clouds the future. Nevertheless, the affordable segment of the property market is expected to be still active, subject to location and product features as well as product innovation and differentiation. The Group remains firmly focused on both strategies, particularly as it continues to develop its projects in the pipeline within Perak region. The Group ensures its business's long-term survival by adapting to the constant market demand change wherever possible, while remaining cautious to potential reverberation from the economic impact already caused by the COVID-19 pandemic.

In the construction sector, the management foresees a lower availability of new construction jobs in the local market and a more competitive tender environment, based on this, the Group plans to focus on execution and timely completion of its existing order book. The management, in response to the crisis and uncertainties, had also exercised great prudence and extra caution in the management of the Group's financial matters and construction operations.

The Group will remain cautiously optimistic on the prospects of recovery given that the earnings forecast and order book replenishment of new projects remains slow.

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

B4. Income tax expense

	Current Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2020	2019	2020	2019
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	786,373	540,103	841,657	813,414
Foreign tax	130,290	276,200	142,098	411,309
	<u>916,663</u>	<u>816,303</u>	<u>983,755</u>	<u>1,224,723</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	38,954	307,931	(138,605)	578,975
Under/(over) provision in prior years	(18,502)	421	14,235	20,362
	<u>20,452</u>	<u>308,352</u>	<u>(124,370)</u>	<u>599,337</u>
Real property gains tax	-	10,969	-	10,969
Income tax expense	<u>937,115</u>	<u>1,135,624</u>	<u>859,385</u>	<u>1,835,029</u>

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

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 June		Cumulative Quarter 6 months ended 30 June	
	2020	2019	2020	2019
	RM	RM	RM	RM
Profit before tax	4,491,691	5,025,094	4,700,511	7,700,944
Taxation at applicable tax rates	1,078,006	1,206,024	1,128,123	1,848,227
Income not subject to tax	(406,529)	(105,420)	(845,451)	(208,939)
Expenses not deductible for tax purposes	359,000	101,923	631,727	284,676
Expenses under special deduction for tax purposes	(26,164)	-	(26,164)	-
Current year tax losses that cannot be carried forward	147	147	219	219
Difference in tax rate of foreign subsidiaries	(26,058)	(54,885)	(28,418)	(81,908)
Deferred tax assets not recognised	17,027	1,544	17,166	1,544
Deferred tax on undistributed earnings from foreign subsidiary	36,481	76,840	40,137	114,671
Real property gains tax	-	10,969	-	10,969
Utilisation of previously unrecognised deferred tax assets	(2,974)	(103,710)	-	(156,563)
Foreign withholding tax paid	(73,319)	1,771	(72,189)	1,771
(Over)/under provision of deferred tax in prior years	(18,502)	421	14,235	20,362
Income tax expense	937,115	1,135,624	859,385	1,835,029

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 June 2020 RM	As at 30 June 2019 RM
Short term borrowings		
Bank overdrafts (secured)	5,123,524	5,562,836
Hire purchase liabilities (secured)	1,029,618	1,767,519
Revolving credits (secured)	-	3,000,000
Term loans (secured)	8,025,004	8,548,429
Bank overdrafts (unsecured)	-	3,220,569
Bankers' acceptances (unsecured)	-	234,000
Lease liabilities (unsecured)	21,241	-
	<u>14,199,387</u>	<u>22,333,353</u>
Long term borrowings		
Hire purchase liabilities (secured)	297,827	659,113
Term loans (secured)	40,975,777	49,000,781
Lease liabilities (unsecured)	123,558	-
	<u>41,397,162</u>	<u>49,659,894</u>
Total borrowings	<u>55,596,549</u>	<u>71,993,247</u>

Loan and borrowings are denominated in the following currencies:

	As at 30 June 2020 RM	As at 30 June 2019 RM
Ringgit Malaysia	50,372,711	66,430,411
Lao Kip	5,223,838	5,562,836
	<u>55,596,549</u>	<u>71,993,247</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 June		Cumulative Quarter 6 months ended 30 June	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit attributable to owners of the Company	3,386,915	3,540,392	3,704,541	5,385,025
Weighted average number of ordinary shares in issue	92,699,600	92,699,600	92,699,600	92,699,600
	Sen	Sen	Sen	Sen
Basic earnings per share	3.65	3.82	4.00	5.81

(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 2019 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 RM18.1 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 30 June 2020:

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
Non-financial assets:			
Investment properties	-	-	117,150,000
Financial assets:			
Long term/short term investments			
- Equity instruments (quoted)	-	-	-
- Unit trust fund (quoted)	-	73,103,071	-
Financial liabilities:			
Other commitments	-	2,538,320	-

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.)

Fair value of financial instruments that are carried at fair value (cont'd.)

Determination of fair value

Investment properties

Fair value is determined based on valuations at the reporting date. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the comparison and income capitalisation method that makes reference to the recent transaction value.

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

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

Dated : 24 August 2020