

DKLS INDUSTRIES BERHAD 199501040269 (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter and 3 months ended 31 March 2023 - unaudited**

	Note	Current Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
		2023 RM	2022 RM	2023 RM	2022 RM
Revenue		34,997,791	40,106,360	34,997,791	40,106,360
Interest income		324,586	1,037,753	324,586	1,037,753
Other income		2,219,471	979,990	2,219,471	979,990
Operating expenses		(23,562,557)	(29,546,893)	(23,562,557)	(29,546,893)
Changes in work-in-progress and finished goods		(110,951)	(188,715)	(110,951)	(188,715)
Employee benefit expenses		(4,742,200)	(4,185,009)	(4,742,200)	(4,185,009)
Administrative expenses		(2,833,499)	(5,901,005)	(2,833,499)	(5,901,005)
Profit from operating activities	A8	6,292,641	2,302,481	6,292,641	2,302,481
Interest expense		(532,441)	(520,292)	(532,441)	(520,292)
Profit before tax		5,760,200	1,782,189	5,760,200	1,782,189
Income tax expense		(1,038,068)	(1,183,726)	(1,038,068)	(1,183,726)
Profit for the period, net of tax		4,722,132	598,463	4,722,132	598,463
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		538,797	(1,310,552)	538,797	(1,310,552)
Other comprehensive income for the period, net of tax		538,797	(1,310,552)	538,797	(1,310,552)
Total comprehensive income for the period		5,260,929	(712,089)	5,260,929	(712,089)
Profit for the period attributable to:					
Owners of the Company		4,579,898	400,988	4,579,898	400,988
Non-controlling interests		142,234	197,475	142,234	197,475
Profit for the period		4,722,132	598,463	4,722,132	598,463
Total comprehensive income attributable to:					
Owners of the Company		5,014,254	(638,935)	5,014,254	(638,935)
Non-controlling interests		246,675	(73,154)	246,675	(73,154)
Total comprehensive income for the period		5,260,929	(712,089)	5,260,929	(712,089)
Basic/Diluted, earnings per ordinary share (sen)		4.94	0.43	4.94	0.43

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2022 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 31 March 2023 - unaudited**

	31 March 2023 RM	31 December 2022 RM (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	62,494,065	63,469,274
Right-of-use assets	56,842	58,930
Inventories	104,920,201	104,681,209
Investment properties	124,850,000	124,850,000
Long term investments	20,912	21,958
Trade and other receivables	3,374,890	3,313,838
Other assets	24,930	24,275
Deferred tax assets	5,283,749	5,259,728
Total non-current assets	<u>301,025,589</u>	<u>301,679,212</u>
Current Assets		
Inventories	33,515,193	37,457,842
Trade and other receivables	64,288,602	65,082,196
Other assets	19,996,786	17,121,557
Short term investments	49,953,901	54,291,886
Tax recoverable	1,837,858	920,332
Cash and bank balances	36,530,356	35,694,594
Total current assets	<u>206,122,696</u>	<u>210,568,407</u>
TOTAL ASSETS	<u>507,148,285</u>	<u>512,247,619</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	101,883,643	101,883,643
Retained profits	336,164,546	331,584,648
Reserves	(13,235,615)	(13,669,971)
Equity attributable to owners of the Company	<u>424,812,574</u>	<u>419,798,320</u>
Non-controlling interests	<u>3,818,256</u>	<u>3,571,581</u>
Total equity	<u>428,630,830</u>	<u>423,369,901</u>
Non-Current Liabilities		
Loans and borrowings	22,847,758	24,189,462
Other payables	643,675	680,807
Deferred tax liabilities	5,598,035	5,484,583
Total non-current liabilities	<u>29,089,468</u>	<u>30,354,852</u>
Current Liabilities		
Loans and borrowings	20,119,795	23,636,479
Trade and other payables	27,209,863	31,947,572
Other current liabilities	1,597,876	2,274,151
Tax payable	500,453	664,664
Total current liabilities	<u>49,427,987</u>	<u>58,522,866</u>
Total liabilities	<u>78,517,455</u>	<u>88,877,718</u>
TOTAL EQUITY AND LIABILITIES	<u>507,148,285</u>	<u>512,247,619</u>
Net assets per share attributable to owners of the Company (RM)	<u>4.58</u>	<u>4.53</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2022 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD 199501040269 (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Changes in Equity
For 3 months ended 31 March 2023 - unaudited**

	Attributable to owners of the Company		Attributable to owners of the Company					Total equity RM
	Share capital RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Charter capital reserve RM	Other reserve RM	Retained profits RM	Non- controlling Interests RM	
3 months ended 31 March 2023								
Balance at 1 January 2023	101,883,643	(18,327,766)	2,058,238	3,026,004	(426,447)	331,584,648	3,571,581	423,369,901
Total comprehensive income for the period	-	434,356	-	-	-	4,579,898	246,675	5,260,929
Balance at 31 March 2023	<u>101,883,643</u>	<u>(17,893,410)</u>	<u>2,058,238</u>	<u>3,026,004</u>	<u>(426,447)</u>	<u>336,164,546</u>	<u>3,818,256</u>	<u>428,630,830</u>
3 months ended 31 March 2022								
Balance at 1 January 2022	101,883,643	(9,665,787)	2,058,238	3,026,004	(426,447)	322,259,900	6,867,474	426,003,025
Total comprehensive income for the period	-	(1,039,923)	-	-	-	400,988	(73,154)	(712,089)
Balance at 31 March 2022	<u>101,883,643</u>	<u>(10,705,710)</u>	<u>2,058,238</u>	<u>3,026,004</u>	<u>(426,447)</u>	<u>322,660,888</u>	<u>6,794,320</u>	<u>425,290,936</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2022 and the accompanying notes attached to the Interim Financial Statements.

**Condensed Consolidated Statement of Cash Flows
For the 3 months ended 31 March 2023 - unaudited**

	3 months ended 31 March	
	2023 RM	2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,760,200	1,782,189
Adjustments for :-		
Depreciation	1,315,190	1,771,774
Dividend income from short term investments	-	(202)
Fair value gain on long/short term investments	(452,969)	(265,446)
Gain on disposal of property, plant and equipment, net	(154,442)	(241,711)
Interest expense	532,441	520,292
Interest income	(324,586)	(1,037,753)
Property, plant and equipment written off	-	714
Unrealised gain on foreign exchange	(85,009)	(92,486)
(Write back of)/Allowance for impairment loss on trade and other receivables	(1,307,638)	2,500,837
Operating cash flows before changes in working capital	<u>5,283,187</u>	<u>4,938,208</u>
Changes in working capital:-		
Net changes in current assets	3,230,226	(9,603,687)
Net changes in current liabilities	(5,526,314)	(1,152,508)
Cash flows from/(used in) operations	<u>2,987,099</u>	<u>(5,817,987)</u>
Interest paid	(154,774)	(235,960)
Interest received	262,659	1,011,476
Taxes paid	(2,029,886)	(2,062,070)
Net cash flows from/(used in) operating activities	<u>1,065,098</u>	<u>(7,104,541)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received from short term investments	-	202
Interest received	2,903	1,830
Inventories	(238,992)	(395,803)
Proceeds from disposal of:		
- property, plant and equipment	593,796	273,300
- short term investments	9,690,000	17,787,081
Purchase of:		
- property, plant and equipment	(290,699)	(445,805)
- short term investments	(4,898,000)	(8,205,081)
Net cash flows from investing activities	<u>4,859,008</u>	<u>9,015,724</u>

DKLS INDUSTRIES BERHAD 199501040269 (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 3 months ended 31 March 2023 - unaudited**

	3 months ended 31 March	
	2023	2022
	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(353,806)	(289,237)
Repayment of hire purchase liabilities	(123,209)	(122,544)
Repayment of principal portion of lease liability	(3,852)	(2,980)
Repayment of term loan	(1,250,001)	(1,250,001)
Net cash flows used in financing activities	<u>(1,730,868)</u>	<u>(1,664,762)</u>
Net increase in cash and cash equivalents	4,193,238	246,421
Effects of exchange rate differences	20,349	78,975
Cash and cash equivalents at beginning of the period	<u>20,872,309</u>	<u>16,106,345</u>
Cash and cash equivalents at end of the period	<u><u>25,085,896</u></u>	<u><u>16,431,741</u></u>

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

Cash and bank balances	24,050,490	12,084,032
Deposits with licensed banks	12,479,866	14,744,674
Bank overdrafts	<u>(6,588)</u>	<u>(50,713)</u>
	36,523,768	26,777,993
Less:		
Deposits with maturity period more than 3 months	<u>(11,437,872)</u>	<u>(10,346,252)</u>
	<u><u>25,085,896</u></u>	<u><u>16,431,741</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 2022 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD 199501040269 (369472-P)

(Incorporated in Malaysia)

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 MFRS 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 2022. 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 2022.

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 financial statements for the year ended 31 December 2022 except as follows:

On 1 January 2023, the Group adopted the following amended MFRSs, if applicable, mandatory for annual financial period beginning on or after the following dates.

	Effective for annual financial periods beginning on or after
MFRS 17 : Insurance Contracts	1 January 2023
Initial application of MFRS 17 and MFRS 9 – Comparative Information (Amendment to MFRS 17 : Insurance Contracts)	1 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101 : Presentation of Financial Statements)	1 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)	1 January 2023

Adoption of the above amendments 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 current quarter.

DKLS INDUSTRIES BERHAD 199501040269 (369472-P)

(Incorporated in Malaysia)

A. Notes to the Interim Financial Statements (cont'd.)**A5. Changes in Estimates**

There were no changes in estimation that have had any material effect on the current quarter results.

A6. Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities, share buy-back and share held as treasury shares during the current quarter.

A7. Dividend Paid

No dividend has been paid during the current quarter.

A8. Profit from operating activities

Curret quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
2023	2022	2023	2022
RM	RM	RM	RM

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

Total depreciation	1,315,190	1,771,774	1,315,190	1,771,774
Depreciation capitalised under construction costs	(29,303)	(174,369)	(29,303)	(174,369)
Depreciation charged to profit from operating activities	1,285,887	1,597,405	1,285,887	1,597,405
Dividend income from short term investments	-	(202)	-	(202)
Fair value gain on long/short term investments	(452,969)	(265,446)	(452,969)	(265,446)
Gain on disposal of property, plant and equipment	(154,442)	(241,711)	(154,442)	(241,711)
Gain on foreign exchange :				
- realised	(9,962)	(4,133)	(9,962)	(4,133)
- unrealised	(85,009)	(92,486)	(85,009)	(92,486)
Property, plant and equipment written off	-	714	-	714
(Write back of)/Allowance for impairment loss on trade and other receivables	(1,307,638)	2,500,837	(1,307,638)	2,500,837
Impairment loss on 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

DKLS INDUSTRIES BERHAD 199501040269 (369472-P)
(Incorporated in Malaysia)

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 taxes, deferred taxes and certain financial assets not allocated to those segments as they are managed on a group basis.

**Current quarter 3 months
ended 31 March 2023**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	1,573,048	6,864,056	19,376,667	8,336,642	1,762,976	68,457	37,981,846
Inter-segment sales	(82,500)	(1,990,850)	(842,248)	-	-	(68,457)	(2,984,055)
External sales	1,490,548	4,873,206	18,534,419	8,336,642	1,762,976	-	34,997,791
Results							
Segment results	699,436	826,965	2,487,645	1,650,010	637,993	(9,408)	6,292,641
Interest expense	(351,034)	(167,180)	(11,601)	(1,499)	(1,127)	-	(532,441)
Profit/(Loss) before tax	348,402	659,785	2,476,044	1,648,511	636,866	(9,408)	5,760,200
Income tax expense							(1,038,068)
Profit for the period							4,722,132
Total Assets							
Segment assets	136,460,638	71,822,290	77,620,939	139,921,018	23,966,693	260,287	450,051,865
Unallocated corporate assets							57,096,420
Total assets							507,148,285
Total Liabilities							
Segment liabilities	30,096,105	26,791,569	9,242,410	4,411,064	1,870,801	7,018	72,418,967
Unallocated corporate liabilities							6,098,488
Total liabilities							78,517,455

DKLS INDUSTRIES BERHAD 199501040269 (369472-P)
(Incorporated in Malaysia)

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Current quarter 3 months
ended 31 March 2023 (cont'd.)**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Type of goods and services							
Construction contracts	-	4,870,776	-	-	-	-	4,870,776
Sale of completed properties	-	-	-	1,096,111	-	-	1,096,111
Sale of development properties	-	-	-	7,240,531	-	-	7,240,531
Sale of goods and services	2,130	2,430	18,534,419	-	1,762,976	-	20,301,955
Revenue from contracts with customers	2,130	4,873,206	18,534,419	8,336,642	1,762,976	-	33,509,373
Rental income from investment properties	1,488,418	-	-	-	-	-	1,488,418
	1,490,548	4,873,206	18,534,419	8,336,642	1,762,976	-	34,997,791
Geographical markets							
Malaysia	2,130	4,873,206	18,534,419	8,336,642	-	-	31,746,397
Lao People's Democratic Republic	-	-	-	-	1,762,976	-	1,762,976
	2,130	4,873,206	18,534,419	8,336,642	1,762,976	-	33,509,373
Timing of transfer of goods and services							
At a point in time	2,130	2,430	18,534,419	1,096,111	1,762,976	-	21,398,066
Over time	-	4,870,776	-	7,240,531	-	-	12,111,307
	2,130	4,873,206	18,534,419	8,336,642	1,762,976	-	33,509,373

DKLS INDUSTRIES BERHAD 199501040269 (369472-P)
(Incorporated in Malaysia)

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Current quarter 3 months
ended 31 March 2022**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	3,149,983	15,428,274	18,756,056	6,065,581	2,237,853	201,657	45,839,404
Inter-segment sales	(2,117,947)	(3,346,788)	(217,953)	-	-	(50,356)	(5,733,044)
External sales	1,032,036	12,081,486	18,538,103	6,065,581	2,237,853	151,301	40,106,360
Results							
Segment results	408,801	(1,440,254)	1,855,787	694,667	797,528	(14,048)	2,302,481
Interest expense	(283,407)	(223,880)	(4,650)	-	(8,355)	-	(520,292)
Profit/(Loss) before tax	125,394	(1,664,134)	1,851,137	694,667	789,173	(14,048)	1,782,189
Income tax expense							(1,183,726)
Profit for the period							598,463
Total Assets							
Segment assets	136,750,324	82,586,734	72,250,437	143,138,604	38,964,427	289,244	473,979,770
Unallocated corporate assets							64,839,253
Total assets							538,819,023
Total Liabilities							
Segment liabilities	34,427,648	54,207,691	9,273,452	7,708,811	2,584,396	8,577	108,210,575
Unallocated corporate liabilities							5,317,512
Total liabilities							113,528,087

DKLS INDUSTRIES BERHAD 199501040269 (369472-P)
(Incorporated in Malaysia)

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Current quarter 3 months
ended 31 March 2022 (cont'd.)**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Type of goods and services							
Construction contracts	-	12,074,833	-	-	-	-	12,074,833
Sale of development properties	-	-	-	6,058,182	-	-	6,058,182
Sale of goods and services	1,420	6,653	18,538,103	7,399	2,237,853	151,301	20,942,729
Revenue from contracts with customers	1,420	12,081,486	18,538,103	6,065,581	2,237,853	151,301	39,075,744
Rental income from investment properties	1,030,616	-	-	-	-	-	1,030,616
	<u>1,032,036</u>	<u>12,081,486</u>	<u>18,538,103</u>	<u>6,065,581</u>	<u>2,237,853</u>	<u>151,301</u>	<u>40,106,360</u>
Geographical markets							
Malaysia	1,420	12,081,486	18,538,103	6,065,581	-	151,301	36,837,891
Lao People's Democratic Republic	-	-	-	-	2,237,853	-	2,237,853
	<u>1,420</u>	<u>12,081,486</u>	<u>18,538,103</u>	<u>6,065,581</u>	<u>2,237,853</u>	<u>151,301</u>	<u>39,075,744</u>
Timing of transfer of goods and services							
At a point in time	1,420	6,653	18,538,103	7,399	2,237,853	151,301	20,942,729
Over time	-	12,074,833	-	6,058,182	-	-	18,133,015
	<u>1,420</u>	<u>12,081,486</u>	<u>18,538,103</u>	<u>6,065,581</u>	<u>2,237,853</u>	<u>151,301</u>	<u>39,075,744</u>

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 quarter.

A11. Changes in Composition of the Group

There are no changes in composition of the Group for the current quarter.

A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities

	As at 31 March	
	2023	2022
	RM	RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	<u>53,435,246</u>	<u>65,702,517</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 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 2022.

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 March		Cumulative quarter 3 months ended 31 March	
	2023 RM	2022 RM	2023 RM	2022 RM
Purchase of consumables from DKLS Service Station	(13,564)	(1,207)	(13,564)	(1,207)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(4,710)	(4,400)	(4,710)	(4,400)
Supply of electricity by Ipoh Tower Sdn Bhd	(15,209)	(16,832)	(15,209)	(16,832)
	<u>(33,483)</u>	<u>(22,439)</u>	<u>(33,483)</u>	<u>(22,439)</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 appointment.

A14. Capital Commitments

	As at 31 March 2023 RM
Approved and contracted for: Property, plant and equipment	<u>1,340,000</u>
Approved but not 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 March 2023 RM
Not later than 1 year	4,840,268
Later than 1 year but not later than 5 years	2,664,464
	<u>7,504,732</u>

B. Additional information required by BMSB's Listing Requirements**B1. Operating Segment Review****Review of Performance for 1Q23 vs 1Q22**

For the first quarter ended 31 March 2023 ("1Q23"), the Group has recorded a lower revenue of RM34.998 million, a decrease of 12.7% as compared to RM40.106 in the previous year corresponding quarter ("1Q22"). Despite the lower revenue recorded in 1Q23, the Group has recorded a higher profit before tax of RM5.760 million, an increase of 223.2%, as compared to RM1.782 million in 1Q22. The variances in revenue and profit before tax of the Group can be analysed by segment as below:-

1Q23 vs 1Q22

Increase/(Decrease)

	Revenue RM'000	Profit before tax RM'000
Investment	459	223
Construction	(7,208)	2,324
Quarry	(4)	625
Property development	2,271	954
Utilities	(475)	(152)
Others	(151)	4
	(5,108)	3,978

Investment

The investment segment derived its main income from investment properties.

For the current quarter under review, the investment segment has recorded a higher profit before tax of RM0.348 million as compared to RM0.125 million in the previous year corresponding quarter. This increase was attributed to higher revenue of RM1.491 million (1Q22: RM1.032 million), primarily driven by an improved occupancy rate of 92% (1Q22: 71%) and the absence of rental discounts given to tenants in the current quarter (1Q22: RM0.048 million).

The increase in revenue was partially offset by higher interest expense of RM0.351 million in the current quarter, compared to RM0.283 million in the previous year corresponding quarter.

Construction

The construction segment has recorded a lower revenue of RM4.873 million from its on-going projects in the current quarter under review as compared to RM12.081 million in the previous year corresponding quarter due to lower order book resulted from the completion of a mega infrastructure projects in the previous financial year.

Despite the lower revenue, the construction segment has recorded a higher profit before tax of RM0.660 million as compared to loss before tax of RM1.664 million in the previous year corresponding quarter mainly due to the reversal of impairment losses on receivables of RM1.198 million (1Q22 : allowance for impairment losses of RM2.650 million) which was partially offset by the lower interest income of RM0.225 million (1Q22 : RM0.985 million).

If these items were excluded from the profit/(loss) before tax, the construction segment would have recorded a loss before tax in the current quarter under review as compared to a breakeven position in the previous year corresponding quarter due to the lower revenue.

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

B1. Operating Segment Review (cont'd.)

Quarry

For the current quarter under review, the quarry segment has recorded a higher profit before tax of RM2.476 million (1Q22 : RM1.851 million) on a fairly consistent revenue of RM18.534 million (1Q22 : RM18.538 million) with a higher margin. The improved margin was attributed to the increase in average selling price for its quarry, premix and readymix products, partially offset by the higher bitumen cost, being the main raw material for premix production.

There were no major fluctuations in other operating income and overhead costs.

Property Development

For the current quarter under review, the property development segment has recorded an increase in profit before tax of RM1.649 million (1Q22 : RM0.695 million) on a higher revenue of RM8.337 million (1Q22 : RM6.066 million) as compared to the previous year corresponding period. The primary contributors of the increase in revenue were the sales of completed inventories and revenue recognised from the Manjung Residen Phase 4 project which was commenced in the second quarter of the previous financial year.

Beside revenue, the following items have also contributed to the increase in profit before tax in the current quarter under review:-

- a) fair value gain on short term investments of RM0.137 million (1Q22 : RM0.091 million);
- b) sale and marketing fees of RM0.081 million (1Q22 : RM0.018 million);
- c) assessment and quit rent of RM0.122 million (1Q22 : RM0.250 million); and
- d) upkeep costs incurred for maintenance of existing infrastructure and show units of RM0.026 million (1Q22 : RM0.066 million).

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.

In comparison to the previous year corresponding quarter, the utilities segment has recorded a lower profit before tax of RM0.637 million (1Q22 : RM0.789 million) mainly due to lower revenue of RM1.763 million (1Q22 : RM2.238 million) and lower reversal of impairment losses on receivables of RM0.003 million (1Q22 : RM0.102 million), partially offset by the lower depreciation charges of RM0.252 million (1Q22 : RM0.559 million).

B. Additional information required by BMSB's Listing Requirements (cont'd.)**B2. Variance of Results Against Preceding Quarter**

	Current Quarter 31 March 2023 RM'000	Immediate Preceding Quarter 31 December 2022 RM'000	Changes Amount RM'000
Revenue	34,998	48,513	(13,515)
Profit before tax	5,760	1,820	3,940

The Group has recorded a lower revenue in the current quarter under review ("1Q23") as compared to the immediate preceding quarter ("4Q22") which was mainly contributed from construction and quarry segments. The lower revenue was affected by:

- (a) the shorter business cycle due to Chinese New Year festive holidays; and
- (b) lower order book in the construction segment.

Despite the lower revenue, the Group has recorded a higher profit before tax for 1Q23 as compared to 4Q22 mainly due to the following exceptional items:

- (a) reversal of impairment losses on receivables of RM1.308 million (4Q22 : allowance for impairment losses of RM1.354 million);
- (b) gain on fair value adjustment of investment properties of RMNil (4Q22 : RM0.630 million);
- (c) gain on foreign exchange of RM0.095 million (4Q22 : loss on foreign exchange of RM0.695 million);
- (d) gain on disposal of property, plant and equipment of RM0.154 million (4Q22 : RM0.048 million);
- (e) lower interest income of RM0.325 million (4Q22 : RM0.622 million);
- (f) impairment loss on property, plant and equipment of RMNil (4Q22 : RM6.348 million); and
- (g) higher employee benefit expenses of RM4.742 million (4Q22 : RM2.921 million).

If these were excluded from the profit before tax, the Group would have recorded a lower margin on lower revenue with consistent overhead costs.

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

B3. Prospects

Global macroeconomic issues from rising inflation to increasing interest rates and growing risk of a recession continue to beset our local economy, resulting in weaker consumer confidence and purchasing power. In light of the continual challenging operating environment, the Group's approach is to focus on improving its sales performance, building resilience in its supply chain and remain pressed-on in obtaining operational efficiency while being prudent with cost optimisation to minimise any negative impact on its profitability in order to achieve sustainable growth.

The construction sector's prospects are closely intertwined with global macroeconomic issues. Factors such as the availability of new infrastructure projects in the local market and a more competitive tender environment also shape the outlook of the industry's outlook. Moreover, rising building material costs could also be a decelerating factor in the sector's attempt to continue its recovery. With these in mind, Construction Division will continue to adopt a tactical stance by leveraging on its core competencies, collective expertise as well as appropriate technology in building quality residential and commercial properties for private sectors and in-house Property Development Division. Such strategies enable the Division to diversify its order book exposure, in light of the lukewarm sentiment facing the public infrastructure space. Rest assured, the Division will continue to actively tender for any infrastructure contracting projects to replenish its order book.

The outlook of the domestic property market is expected to remain challenging, with sluggish growth and muted prospect. The increasing in borrowing costs owing to the overnight policy rate (OPR) hikes and supply chain disruptions are affecting both buyers and developers. Households are suffering from a fall in disposable incomes whilst developers are faced with increase material and labour costs. Nevertheless, the Property Division will continue adopting a cautious strategy by monetising its remaining inventories and building up its long term recurring income while exercising prudence on new project launches.

The Group expects the Quarry Division to continue to show growth, with healthy increases across all Quarry products. The implementation of investment projects by both private and public sectors will continue to lend support to the growth of Quarry Division, in addition to leveraging on growth of its existing customers. While commodity cost volatility and supply chain disruptions are expected to continue, the Division will remain focused on its pricing dynamics and cost efficiency to drive further growth. Digitalisation of the sales process has also helped improve business operations. Continuous efforts are taken to level up product quality, product delivery and customer services in order to maintain our strong brand.

The Utilities Division's water treatment plant concession in Lao People's Democratic Republic will continue to contribute a stable and sustainable recurring income stream into the Group. However, the volatility of the foreign exchange rates may impact the Division's performance in the current financial year.

Moving forward, the Group will continue to strengthen our resilience and financial position by exploring strategic restructuring initiatives, which includes embarking into digitalisation and technology. Related risks and impact on all business divisions will be monitored closely. All things considered, notwithstanding unforeseen circumstances, the Group remains cautiously optimistic of our prospects for current financial year despite these challenging times.

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

B4. Income tax expense

	Current quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
	2023	2022	2023	2022
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	842,714	825,682	842,714	825,682
Foreign tax	103,517	136,896	103,517	136,896
	<u>946,231</u>	<u>962,578</u>	<u>946,231</u>	<u>962,578</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	26,261	227,916	26,261	227,916
Under/(Over) provision in prior years	63,170	(6,768)	63,170	(6,768)
	<u>89,431</u>	<u>221,148</u>	<u>89,431</u>	<u>221,148</u>
Real Property Gain Tax	1,332	-	1,332	-
Withholding tax	1,074	-	1,074	-
Income tax expense recognised in profit or loss	<u>1,038,068</u>	<u>1,183,726</u>	<u>1,038,068</u>	<u>1,183,726</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 taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Current quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
	2023	2022	2023	2022
	RM	RM	RM	RM
Profit before tax	5,760,200	1,782,189	5,760,200	1,782,189
Taxation at applicable tax rates	1,382,448	427,725	1,382,448	427,725
Income not subject to tax	(443,322)	(152,972)	(443,322)	(152,972)
Expenses not deductible for tax purposes	50,664	947,061	50,664	947,061
Expenses for special deduction for tax purposes	(9,506)	(23,124)	(9,506)	(23,124)
Difference in tax rate of foreign subsidiary	(20,692)	(27,366)	(20,692)	(27,366)
Utilisation of previously unrecognised deferred tax assets	(11)	-	(11)	-
Deferred tax assets not recognised	-	6	-	6
Deferred tax on undistributed earnings from foreign subsidiary	14,483	19,164	14,483	19,164
Deferred tax on fair value adjustment	(1,572)	-	(1,572)	-
Real Property Gain Tax	1,332	-	1,332	-
Withholding tax	1,074	-	1,074	-
Under/(Over) provision of deferred tax in prior year	63,170	(6,768)	63,170	(6,768)
Income tax expense recognised in profit or loss	1,038,068	1,183,726	1,038,068	1,183,726

B5. Corporate Proposals and Profit Forecast

Not applicable as no profit forecast was published.

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

DKLS INDUSTRIES BERHAD 199501040269 (369472-P)

(Incorporated in Malaysia)

B. Additional information required by BMSB's Listing Requirements (cont'd.)**B6. Borrowing and Debt Securities**

	As at 31 March 2023 RM	As at 31 March 2022 RM
Short term borrowings		
Bank overdrafts (secured)	-	50,713
Hire purchase liabilities (secured)	377,527	254,064
Term loans (secured)	5,000,004	5,000,004
Bank overdrafts (unsecured)	6,588	-
Lease liabilities (unsecured)	5,676	12,028
Revolving credit (unsecured)	14,730,000	24,600,000
	<u>20,119,795</u>	<u>29,916,809</u>
Long term borrowings		
Hire purchase liabilities (secured)	450,455	11,633
Lease liabilities (unsecured)	64,011	89,545
Term loans (secured)	22,333,292	27,333,296
	<u>22,847,758</u>	<u>27,434,474</u>
Total borrowings	<u>42,967,553</u>	<u>57,351,283</u>

Loan and borrowings are denominated in the following currencies:

	As at 31 March 2023 RM	As at 31 March 2022 RM
Ringgit Malaysia	42,910,248	57,273,768
Lao Kip	57,305	77,515
	<u>42,967,553</u>	<u>57,351,283</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 current quarter ended 31 March 2023.

The Board of Directors has recommended a first and final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2022. The dividend was approved by the shareholders at the Annual General Meeting held on 29 May 2023. The dividend is payable on 18 August 2023 to shareholders whose name appear in the Record of Depositors on 31 July 2023.

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 March		Cumulative quarter 3 months ended 31 March	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit attributable to owners of the Company	4,579,898	400,988	4,579,898	400,988
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	4.94	0.43	4.94	0.43

(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 2022 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 RM14,729,800 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 March 2023:

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	-	-	124,850,000
Financial assets:			
Long term/Short term investments			
- Equity instruments (quoted)	20,912	-	-
- Unit trust fund (quoted)	-	49,953,901	-
Financial liabilities:			
Other commitments	-	1,226,933	-

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the current quarter.

Level 1

Level 1 fair value is derived from quoted (unadjusted) market prices in active markets for identical assets and liabilities.

Level 2

Level 2 fair value is measured using valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 fair value

Level 3 fair value is measured using valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

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 as at 31 December 2022. 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 the published market bid price at the reporting date.

Unit trust fund (quoted)

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

Other commitments

Fair value is estimated by discounting expected future cash flows at market borrowing interest rates.

Dated : 29 May 2023