

DKLS INDUSTRIES BERHAD (199501040269) (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter and 9 months ended 30 September 2023 - unaudited**

Note	Current Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2023 RM	2022 RM	2023 RM	2022 RM
Revenue	44,500,641	42,575,679	113,100,885	131,190,268
Interest income	267,788	385,063	1,183,432	2,228,705
Other income	2,730,633	1,498,115	6,288,151	3,492,007
Operating expenses	(32,536,853)	(28,317,368)	(79,088,312)	(93,581,887)
Changes in work-in-progress and finished goods	(416,819)	129,710	326,103	(330)
Employee benefit expenses	(3,045,978)	(3,004,390)	(10,794,137)	(10,225,234)
Administrative expenses	(2,719,226)	(5,790,155)	(8,486,181)	(14,461,147)
Profit from operating activities	8,780,186	7,476,654	22,529,941	18,642,382
Interest expense	(353,619)	(633,317)	(1,430,241)	(2,044,884)
Profit before tax	8,426,567	6,843,337	21,099,700	16,597,498
Income tax expense	(2,044,323)	(2,288,169)	(4,601,934)	(5,172,025)
Profit for the period, net of tax	6,382,244	4,555,168	16,497,766	11,425,473
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	(1,185,072)	(1,202,456)	(2,023,787)	(8,425,094)
Other comprehensive income for the period, net of tax	(1,185,072)	(1,202,456)	(2,023,787)	(8,425,094)
Total comprehensive income for the period	5,197,172	3,352,712	14,473,979	3,000,379
Profit for the period attributable to:				
Owners of the Company	6,241,071	4,381,862	15,971,315	10,823,174
Non-controlling interests	141,173	173,306	526,451	602,299
Profit for the period	6,382,244	4,555,168	16,497,766	11,425,473
Total comprehensive income attributable to:				
Owners of the Company	5,293,232	3,433,020	14,355,088	4,156,158
Non-controlling interests	(96,060)	(80,308)	118,891	(1,155,779)
Total comprehensive income for the period	5,197,172	3,352,712	14,473,979	3,000,379
Basic/Diluted, earnings per ordinary share (sen)	6.73	4.73	17.23	11.68

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 30 September 2023 - unaudited**

	30 September 2023 RM	31 December 2022 RM (Audited)
ASSETS		
Non-current Assets		
Property, plant and equipment	59,145,481	63,469,274
Right-of-use assets	45,933	58,930
Inventories	105,022,343	104,681,209
Investment properties	124,798,056	124,850,000
Long term investment	29,538	21,958
Trade and other receivables	1,825,076	3,313,838
Other assets	21,993	24,275
Deferred tax assets	5,171,114	5,259,728
Total non-current assets	<u>296,059,534</u>	<u>301,679,212</u>
Current Assets		
Inventories	34,536,732	37,457,842
Trade and other receivables	46,541,979	65,082,196
Other assets	20,619,976	17,121,557
Short term investments	65,603,944	54,291,886
Tax recoverable	2,373,811	920,332
Cash and bank balances	28,758,672	35,694,594
Total current assets	<u>198,435,114</u>	<u>210,568,407</u>
TOTAL ASSETS	<u>494,494,648</u>	<u>512,247,619</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	101,883,643	101,883,643
Retained profits	344,774,975	331,584,648
Reserves	(15,286,198)	(13,669,971)
Equity attributable to owners of the Company	<u>431,372,420</u>	<u>419,798,320</u>
Non-controlling interests	<u>3,690,472</u>	<u>3,571,581</u>
Total equity	<u>435,062,892</u>	<u>423,369,901</u>
Non-current Liabilities		
Loans and borrowings	20,150,832	24,189,462
Other payables	521,078	680,807
Deferred tax liabilities	5,641,465	5,484,583
Total non-current liabilities	<u>26,313,375</u>	<u>30,354,852</u>
Current Liabilities		
Loans and borrowings	5,376,445	23,636,479
Trade and other payables	25,023,743	31,947,572
Other current liabilities	728,267	2,274,151
Tax payable	1,989,926	664,664
Total current liabilities	<u>33,118,381</u>	<u>58,522,866</u>
Total liabilities	<u>59,431,756</u>	<u>88,877,718</u>
TOTAL EQUITY AND LIABILITIES	<u>494,494,648</u>	<u>512,247,619</u>
Net assets per share attributable to owners of the Company (RM)	<u>4.65</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)
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**Condensed Consolidated Statement of Changes in Equity
For 9 months ended 30 September 2023 - unaudited**

	Attributable to owners of the Company					Total equity RM		
	Non distributable			Distributable				
	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	
9 months ended 30 September 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	-	(1,616,227)	-	-	-	15,971,315	118,891	14,473,979
Transaction with owners: Dividend on ordinary shares	-	-	-	-	-	(2,780,988)	-	(2,780,988)
Balance at 30 September 2023	101,883,643	(19,943,993)	2,058,238	3,026,004	(426,447)	344,774,975	3,690,472	435,062,892
9 months ended 30 September 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	-	(6,667,016)	-	-	-	10,823,174	(1,155,779)	3,000,379
Transaction with owners: Dividend on ordinary shares	-	-	-	-	-	(2,780,988)	-	(2,780,988)
Balance at 30 September 2022	101,883,643	(16,332,803)	2,058,238	3,026,004	(426,447)	330,302,086	5,711,695	426,222,416

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.

DKLS INDUSTRIES BERHAD (199501040269) (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows
For the 9 months ended 30 September 2023 - unaudited**

	Cumulative Quarter 9 months ended 30 September	
	2023 RM	2022 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	21,099,700	16,597,498
Adjustments for :-		
Depreciation	3,776,040	5,167,978
Dividend income	(1,307)	(1,946)
Fair value gain on short/long term investments	(1,457,618)	(863,404)
Gain on disposal of investment properties	(656)	-
Gain on disposal of property, plant and equipment, net	(519,939)	(554,036)
Interest expense	1,430,241	2,044,884
Interest income	(1,183,432)	(2,228,705)
Inventories - properties held for sale and others written off	53,259	-
Property, plant and equipment written off	151,143	715
(Reversal)/Allowance for impairment loss on trade and other receivables	(2,832,187)	5,202,578
Unrealised gain on foreign exchange	(86,123)	(1,041,937)
Operating profit before changes in working capital	<u>20,429,121</u>	<u>24,323,625</u>
Changes in working capital:-		
Net changes in current assets	22,716,737	(8,048,090)
Net changes in current liabilities	<u>(23,778,884)</u>	<u>(12,918,697)</u>
Cash flows from operations	19,366,974	3,356,838
Interest paid	(327,714)	(755,786)
Interest received	675,439	2,013,113
Taxes paid	<u>(4,455,742)</u>	<u>(3,800,317)</u>
Net cash flows from operating activities	<u>15,258,957</u>	<u>813,848</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	1,307	1,946
Interest received	416,777	431,072
Inventories - Land held for property development	(947,006)	(1,285,575)
Placement of deposits with maturity period more than 3 months	(546,220)	(766,075)
Proceeds from disposal of:		
- investment properties	273,000	-
- property, plant and equipment	1,075,519	865,698
- short term investments	27,290,000	39,697,081
Purchase of:		
- investment properties	(220,400)	-
- property, plant and equipment	(1,269,155)	(2,112,311)
- short term investments	(37,152,020)	(26,896,581)
Withdrawal of deposits with maturity period more than 3 months	8,096,658	1,586,513
Net cash flows (used in)/from investing activities	<u>(2,981,540)</u>	<u>11,521,768</u>

DKLS INDUSTRIES BERHAD (199501040269) (369472 - P)

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**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 9 months ended 30 September 2023 - unaudited**

	Cumulative Quarter 9 months ended 30 September	
	2023	2022
	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,780,988)	(2,780,988)
Interest paid	(1,069,356)	(895,492)
Payment of principal portion of lease liability	(8,254)	(8,913)
Repayment of term loan	(3,750,003)	(3,750,003)
Repayment of hire purchase liabilities	(315,455)	(392,525)
Net cash flows used in financing activities	<u>(7,924,056)</u>	<u>(7,827,921)</u>
Net increase in cash and cash equivalents	4,353,361	4,507,695
Effects of exchange rate differences	(178,536)	249,136
Cash and cash equivalents at beginning of the period	20,872,309	16,106,345
Cash and cash equivalents at end of the period	<u>25,047,134</u>	<u>20,863,176</u>

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

Cash and bank balances	23,478,707	19,838,758
Deposits with licensed banks	<u>5,279,965</u>	<u>11,440,467</u>
	28,758,672	31,279,225
Less:		
Deposits with maturity period more than 3 months	<u>(3,711,538)</u>	<u>(10,416,049)</u>
	<u>25,047,134</u>	<u>20,863,176</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.

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

On 1 January 2023, the Group adopted the following applicable amended MFRSs 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 financial year to date.

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 and the financial year to date results.

A6. Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities, share buy-back and share held as treasury shares during the financial year to date.

A7. Dividend Paid

The first and final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2022, which was approved at the Annual General Meeting on 29 May 2023, was paid on 18 August 2023 to shareholders whose names appear in the Record of Depositors on 31 July 2023.

A8. Profit from operating activities

Current Quarter		Cumulative Quarter	
3 months ended		9 months ended	
30 September		30 September	
2023	2022	2023	2022
RM	RM	RM	RM

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

Total depreciation	1,220,354	1,648,464	3,776,040	5,167,978
Depreciation capitalised under construction costs	(75,275)	(77,896)	(149,461)	(405,737)
Depreciation charged to profit from operating activities	1,145,079	1,570,568	3,626,579	4,762,241
(Reversal)/Allowance for impairment loss on trade and other receivables	(1,677,229)	2,986,806	(2,832,187)	5,202,578
Dividend income	(1,307)	(1,744)	(1,307)	(1,946)
Fair value gain on short/long term investments	(533,473)	(320,023)	(1,457,618)	(863,404)
Gain on disposal of investment properties	(656)	-	(656)	-
Gain on disposal of property, plant and equipment, net	(291,491)	(313,335)	(519,939)	(554,036)
(Gain)/Loss on foreign exchange :				
- realised	(284,098)	(92,691)	(294,080)	(96,476)
- unrealised	545,578	(511,909)	(86,123)	(1,041,937)
Inventories - properties held for sale and others written off	-	-	53,259	-
Property, plant and equipment written off	2,352	1	151,143	715
Impairment loss on property, plant and equipment	N/A	N/A	N/A	N/A
Gain on derivatives	N/A	N/A	N/A	N/A

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

A9. Segmental reporting

Business Segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment. Current 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 30 September 2023**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	1,735,623	7,198,504	33,499,582	3,341,351	1,757,103	74,389	47,606,552
Inter-segment sales	(82,500)	(2,340,130)	(608,892)	-	-	(74,389)	(3,105,911)
External sales	1,653,123	4,858,374	32,890,690	3,341,351	1,757,103	-	44,500,641
Results							
Segment results	831,874	1,281,840	5,935,623	260,520	430,305	40,024	8,780,186
Interest expense	(329,952)	(13,906)	(8,750)	-	(1,011)	-	(353,619)
Profit before tax	501,922	1,267,934	5,926,873	260,520	429,294	40,024	8,426,567
Income tax expense							(2,044,323)
Profit for the period							6,382,244
Total Assets							
Segment assets	(8,867,849)	(7,804,767)	4,988,653	966,692	(1,090,380)	27,893	(11,779,758)
Unallocated corporate assets							14,434,266
Total assets							2,654,508
Total Liabilities							
Segment liabilities	(4,322,209)	(3,085,597)	2,341,707	1,772,401	(68,896)	(47)	(3,362,641)
Unallocated corporate liabilities							819,977
Total liabilities							(2,542,664)

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Current quarter 3 months
ended 30 September 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	-	4,833,061	-	-	-	-	4,833,061
Sale of development properties	-	-	-	2,721,351	-	-	2,721,351
Sale of goods and services	2,220	25,016	32,890,987	-	1,757,103	-	34,675,326
Sale of land	-	-	-	620,000	-	-	620,000
Revenue from contracts with customers	2,220	4,858,077	32,890,987	3,341,351	1,757,103	-	42,849,738
Rental income from investment properties	1,650,903	-	-	-	-	-	1,650,903
	1,653,123	4,858,077	32,890,987	3,341,351	1,757,103	-	44,500,641

Geographical markets

Malaysia	2,220	4,858,077	32,890,987	3,341,351	-	-	41,092,635
Lao People's Democratic Republic	-	-	-	-	1,757,103	-	1,757,103
	2,220	4,858,077	32,890,987	3,341,351	1,757,103	-	42,849,738

Timing of transfer of goods and services

At a point in time	2,220	25,016	32,890,987	620,000	1,757,103	-	35,295,326
Over time	-	4,833,061	-	2,721,351	-	-	7,554,412
	2,220	4,858,077	32,890,987	3,341,351	1,757,103	-	42,849,738

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Current quarter 3 months
ended 30 September 2022**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	4,504,959	13,156,158	25,378,452	4,603,731	2,050,576	44,900	49,738,776
Inter-segment sales	(3,082,800)	(3,847,417)	(187,980)	-	-	(44,900)	(7,163,097)
External sales	1,422,159	9,308,741	25,190,472	4,603,731	2,050,576	-	42,575,679
Results							
Segment results	1,226,851	2,038,595	2,882,876	601,700	726,617	15	7,476,654
Interest expense	(306,627)	(309,690)	(15,760)	-	(1,240)	-	(633,317)
Profit before tax	920,224	1,728,905	2,867,116	601,700	725,377	15	6,843,337
Income tax expense							(2,288,169)
Profit for the period							4,555,168
Total Assets							
Segment assets	(491,962)	(252,652)	(1,503,434)	(507,877)	(1,186,109)	(46,040)	(3,988,074)
Unallocated corporate assets							(8,174,600)
Total assets							(12,162,674)
Total Liabilities							
Segment liabilities	(4,252,070)	(7,069,112)	(2,917,200)	(2,016,702)	(118,712)	(6,405)	(16,380,201)
Unallocated corporate liabilities							864,815
Total liabilities							(15,515,386)

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Current quarter 3 months
ended 30 September 2022 (cont'd.)**

Type of goods and services	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Construction contracts	-	8,228,428	-	-	-	-	8,228,428
Sale of development properties	-	-	-	4,603,731	-	-	4,603,731
Sale of goods and services	-	7,415	25,190,472	-	2,050,576	-	27,248,463
Sale of land	-	1,072,898	-	-	-	-	1,072,898
Revenue from contracts with customers	1,422,159	9,308,741	25,190,472	4,603,731	2,050,576	-	41,153,520
Rental income from investment properties	1,422,159	9,308,741	25,190,472	4,603,731	2,050,576	-	42,575,679
Geographical markets							
Malaysia	-	8,235,843	25,190,472	4,603,731	-	-	38,030,046
Lao People's Democratic Republic	-	1,072,898	-	-	2,050,576	-	3,123,474
	-	9,308,741	25,190,472	4,603,731	2,050,576	-	41,153,520
Timing of transfer of goods and services							
At a point in time	-	1,080,313	25,190,472	-	2,050,576	-	28,321,361
Over time	-	8,228,428	-	4,603,731	-	-	12,832,159
	-	9,308,741	25,190,472	4,603,731	2,050,576	-	41,153,520

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Cumulative quarter 9 months
ended 30 September 2023**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	7,939,566	22,693,754	71,135,763	18,153,451	5,649,274	309,367	125,881,175
Inter-segment sales	(3,247,500)	(7,396,233)	(1,903,246)	-	-	(233,311)	(12,780,290)
External sales	4,692,066	15,297,521	69,232,517	18,153,451	5,649,274	76,056	113,100,885
Results							
Segment results	3,194,993	3,347,549	11,195,427	2,727,265	1,974,191	90,516	22,529,941
Interest expense	(1,027,199)	(367,931)	(30,373)	(1,499)	(3,239)	-	(1,430,241)
Profit before tax	2,167,794	2,979,618	11,165,054	2,725,766	1,970,952	90,516	21,099,700
Income tax expense							(4,601,934)
Profit for the period							16,497,766
Total Assets							
Segment assets	128,490,128	45,975,761	81,549,964	142,597,175	22,418,705	284,508	421,316,241
Unallocated corporate assets							73,178,407
Total assets							494,494,648
Total Liabilities							
Segment liabilities	27,507,435	6,512,918	10,879,875	5,066,422	1,833,323	392	51,800,365
Unallocated corporate liabilities							7,631,391
Total liabilities							59,431,756

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Cumulative quarter 9 months
ended 30 September 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	-	15,248,148	-	-	-	-	15,248,148
Sale of completed properties	-	-	-	1,096,111	-	-	1,096,111
Sale of development properties	-	-	-	16,437,340	-	-	16,437,340
Sale of goods and services	7,410	49,076	69,232,814	-	5,649,274	76,056	75,014,630
Sale of land	-	-	-	620,000	-	-	620,000
Revenue from contracts with customers	7,410	15,297,224	69,232,814	18,153,451	5,649,274	76,056	108,416,229
Rental income from investment properties	4,684,656	-	-	-	-	-	4,684,656
	4,692,066	15,297,224	69,232,814	18,153,451	5,649,274	76,056	113,100,885
Geographical markets							
Malaysia	7,410	15,297,224	69,232,814	18,153,451	-	76,056	102,766,955
Lao People's Democratic Republic	-	-	-	-	5,649,274	-	5,649,274
	7,410	15,297,224	69,232,814	18,153,451	5,649,274	76,056	108,416,229
Timing of transfer of goods and services							
At a point in time	7,410	49,076	69,232,814	1,716,111	5,649,274	76,056	76,730,741
Over time	-	15,248,148	-	16,437,340	-	-	31,685,488
	7,410	15,297,224	69,232,814	18,153,451	5,649,274	76,056	108,416,229

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.)

**Cumulative quarter 9 months
ended 30 September 2022**

	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	8,835,451	42,895,232	70,767,876	18,518,750	6,607,124	305,352	147,929,785
Inter-segment sales	(5,283,547)	(10,590,099)	(726,044)	-	-	(139,827)	(16,739,517)
External sales	3,551,904	32,305,133	70,041,832	18,518,750	6,607,124	165,525	131,190,268
Results							
Segment results	2,771,854	1,486,900	9,282,991	2,598,535	2,445,104	56,998	18,642,382
Interest expense	(868,566)	(1,135,904)	(29,138)	(290)	(10,986)	-	(2,044,884)
Profit before tax	1,903,288	350,996	9,253,853	2,598,245	2,434,118	56,998	16,597,498
Income tax expense							(5,172,025)
Profit for the period							11,425,473
Total Assets							
Segment assets	136,917,972	77,016,695	77,739,669	142,019,361	31,776,656	313,956	465,784,309
Unallocated corporate liabilities							61,217,101
Total assets							527,001,410
Total Liabilities							
Segment liabilities	32,104,658	44,761,857	10,345,959	5,125,045	1,923,465	208	94,261,192
Unallocated corporate liabilities							6,517,802
Total liabilities							100,778,994

DKLS INDUSTRIES BERHAD (199501040269) (369472 - P)
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A. Notes to the Interim Financial Statements (cont'd.)

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Cumulative quarter 9 months
ended 30 September 2022 (cont'd.)**

Type of goods and services	Investment RM	Construction RM	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
Construction contracts	-	31,169,695	-	-	-	-	31,169,695
Sale of completed properties	-	-	-	802,668	-	-	802,668
Sale of development properties	-	-	-	17,708,683	-	-	17,708,683
Sale of goods and services	4,580	62,540	70,041,832	7,399	6,607,124	165,525	76,889,000
Sale of land	-	1,072,898	-	-	-	-	1,072,898
Revenue from contracts with customers	4,580	32,305,133	70,041,832	18,518,750	6,607,124	165,525	127,642,944
Rental income from investment properties	3,547,324	-	-	-	-	-	3,547,324
	3,551,904	32,305,133	70,041,832	18,518,750	6,607,124	165,525	131,190,268
Geographical markets							
Malaysia	4,580	31,232,235	70,041,832	18,518,750	-	165,525	119,962,922
Lao People's Democratic Republic	-	1,072,898	-	-	6,607,124	-	7,680,022
	4,580	32,305,133	70,041,832	18,518,750	6,607,124	165,525	127,642,944
Timing of transfer of goods and services							
At a point in time	4,580	1,135,438	70,041,832	810,067	6,607,124	165,525	78,764,566
Over time	-	31,169,695	-	17,708,683	-	-	48,878,378
	4,580	32,305,133	70,041,832	18,518,750	6,607,124	165,525	127,642,944

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

Voluntarily liquidation of dormant subsidiary

DKLS Highlands Sdn. Bhd. ("DKLS Highlands") is a wholly-owned subsidiary of DKLS. DKLS Highlands has ceased its business operations and is dormant. DKLS Highlands had been placed under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016 on 1 September 2023.

During the current quarter under review and up to the date of this report, the voluntary winding-up is still under progress.

A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities

	As at 30 September	
	2023	2022
	RM	RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	37,772,498	66,571,746

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 30 September		Cumulative Quarter 9 months ended 30 September	
	2023	2022	2023	2022
	RM	RM	RM	RM
Architect fees paid to Architect Ding Poi Kooi	-	-	(29,521)	-
Purchase of consumables from DKLS Service Station	(7,449)	(8,176)	(31,996)	(14,473)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(4,660)	(4,580)	(14,340)	(13,270)
Supply of electricity by Ipoh Tower Sdn Bhd	(15,371)	(18,760)	(46,697)	(54,691)

The Directors are of the opinion that all related party transactions have been entered into in the ordinary course of business at arm's length basis on normal commercial terms.

There were no transactions with key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment.

A14. Capital Commitments

	As at 30 September 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 30 September 2023 RM
Not later than 1 year	4,247,845
Later than 1 year but not later than 5 years	<u>1,591,687</u>
	<u>5,839,532</u>

B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

(a) Review of Performance for 3Q23 vs 3Q22

For the current quarter under review (3Q23), the Group registered higher revenue and profit before tax of RM44.501 million and RM8.427 million, an increase of 4.5% and 23.1%, as compared to RM42.576 million and RM6.843 million in the preceding year corresponding quarter (3Q22) respectively. The higher revenue and profit before tax of the Group can be analysed by segment as below:-

3Q23 vs 3Q22

Increase/(Decrease)	Revenue RM'000	Profit before tax RM'000
Investment	231	(418)
Construction	(4,450)	(461)
Quarry	7,700	3,060
Property development	(1,262)	(341)
Utilities	(294)	(296)
Others	-	40
	<u>1,925</u>	<u>1,584</u>

(b) Review of Performance to date for FY23 vs FY22

For the current financial year to date under review (FY23), the Group registered a lower revenue of RM113.101 million, a decrease of 13.8%, as compared to RM131.190 million in the preceding year corresponding period. Despite lower revenue recorded, the Group recorded a higher profit before tax of RM21.100 million, an increase of 27.1%, as compared to RM16.597 million in the preceding year corresponding period (FY22) respectively. The fluctuations in revenue and profit before tax of the Group can be analysed by segment as below:-

FY23 vs FY22

Increase/(Decrease)	Revenue RM'000	Profit before tax RM'000
Investment	1,140	265
Construction	(17,008)	2,629
Quarry	(809)	1,911
Property development	(365)	128
Utilities	(958)	(463)
Others	(89)	33
	<u>(18,089)</u>	<u>4,503</u>

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

B1. Operating Segment Review (cont'd.)

Investment

The investment segment derived its main income from investment properties.

The investment segment registered a higher revenue of RM4.692 million as compared to RM3.552 million in the preceding year corresponding period mainly due to higher occupancy rate of 96% (FY22 : 77%) and the absence of rental discount given to tenants in the current financial year to date under review (FY22 : RM0.097 million).

In line with the boosted revenue and the addition of non-recurring compensation of RM0.084 million received from tenants for early termination in FY23 (FY22 : RMNil), the investment segment demonstrated an increase in profit before tax, reaching RM2.168 million (FY22 : RM1.903 million). Although the higher revenue contributed significantly to this positive performance, it was somewhat offset by the following:

- a) lower realised and unrealised gain on foreign exchange of RM0.421 million (FY22 : RM1.012 million);
- b) higher interest expense of RM1.027 million (FY22 : RM0.869 million); and
- c) higher direct operating expenses such as agent fee, service charges and sinking fund of RM0.190 million (FY22 : RM0.109 million).

These factors, while partially counteracting the revenue growth, collectively shaped the overall profit before tax of the investment segment during both FY23 and FY22, resulting in the notable improvement in FY23.

Construction

For the current financial year to date, the construction segment recorded a lower revenue of RM15.297 million (FY22 : RM32.305 million) primarily attributable to the completion of a large-scale infrastructure project and the sale of industrial land in Laos in the previous year corresponding period.

Despite the reduction in revenue for the current financial year to date, the construction segment achieved a higher profit before tax of RM2.980 million (FY22 : RM0.351 million). This improvement can be attributed to the following:

- a) reversal of impairment losses on receivables of RM2.808 million (FY22 : allowance for impairment losses of RM5.452 million);
- b) lower interest expense of RM0.368 million (FY22 : RM1.136 million); and
- c) lower interest income of RM0.595 million (FY22 : RM1.754 million).

If these items were excluded from the profit before tax, the construction segment would have recorded a breakeven position in FY23 as compared to FY22 primarily due to the lower revenue from on-going projects with lower project gross margin recorded.

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

B1. Operating Segment Review (cont'd.)

Quarry

For the current financial year to date, the quarry segment registered a slightly lower revenue of RM69.233 million (FY22 : RM70.042 million) as compared to the preceding year corresponding period mainly due to lower sale volume, which was partially offset by an increase in the average selling price.

With the increase in average selling price and cost saving arising from the decrease in bitumen cost (the main raw material for premix production), the quarry segment managed to achieve a higher profit before tax of RM11.165 million (FY22 : RM9.254 million) with higher margin, despite the lower revenue and the following fluctuation in overhead costs:

- a) inventories and property, plant and equipment written off of RM0.202 million (FY22 : RMNil);
- b) lower gain on disposal of property, plant and equipment of RM0.209 million (FY22 : RM0.360 million);
- c) allowance of impairment of losses on receivables of RM0.130 million (FY22 : reversal of RM0.033 million); and
- d) higher fair value gain on short term investment of RM0.602 million (FY22 : RM0.233 million).

Property Development

The property development segment achieved a higher profit before tax of RM2.726 million as compared to RM2.598 million in FY22. This improved performance occurred despite a slightly lower revenue of RM18.154 million, down from RM18.519 million in the preceding year corresponding period.

The higher profit before tax in the property development segment was mainly due to the higher fair value gain on short term investments of RM0.468 million (FY22 : RM0.285 million), higher sales and marketing fees income of RM0.243 million (FY22 : RM0.054 million) and lower upkeep costs of RM0.168 million (FY22 : RM0.195 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.

The utilities segment registered a lower profit before tax of RM1.971 million (FY22 : RM2.434 million) on a lower revenue of RM5.649 million (FY22 : RM6.607 million). Besides revenue, the profit before tax were also affected by the following factors:

- a) allowance for impairment losses on receivables of RM0.039 million (FY22 : reversal of RM0.128 million);
- b) higher foreign exchange loss of RM0.130 million (FY22 : RM0.008 million); and
- c) lower depreciation charges of RM0.726 million (FY22 : RM1.511 million).

These factors collectively contributed to the changes in profit before tax with the lower revenue being a key driver of the declined performance in the utilities segment.

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

B2. Variance of Results Against Preceding Quarter

	Current Quarter 30 September 2023 (3Q23) RM'000	Immediate Preceding Quarter 30 June 2023 (2Q23) RM'000	Changes Amount RM'000
Revenue	44,501	33,602	10,899
Profit before tax	8,427	6,913	1,514

The Group registered a higher profit before tax on a higher revenue in the current quarter as compared to the immediate preceding quarter. The increase in revenue in the current quarter was primarily contributed by the quarry segment mainly due to the higher sales volume for premix products.

The profit before tax for 3Q23 and 2Q23 were affected by the following exceptional items:

- a) reversal of impairment loss on receivables of RM1.677 million (2Q23 : allowance for impairment loss of RM0.153 million);
- b) loss on foreign exchange of RM0.261 million (2Q23 : gain on foreign exchange of RM0.547 million);
- c) gain on disposal of property, plant and equipment of RM0.291 million (2Q23 : RM0.074 million);
- d) lower interest income of RM0.268 million (2Q23 : RM0.591 million);
- e) non-recurring compensation received from tenants for early termination of RMNil (2Q23 : RM0.084 million);
- f) inventory and property, plant and equipment written off of RM0.002 million (2Q23 : RM0.202 million);
- g) lower interest expense of RM0.354 million (2Q23 : RM0.544 million); and
- h) higher operating cost in meeting regulatory requirement of RM1.710 million (2Q23 : RMNil).

Excluding these items from profit before tax, the Group would have recorded lower net margin for the current quarter as compared to the immediate preceding quarter mainly due to lower gross margin contributed by the construction segment.

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

B3. Prospects

As we edge closer to the end of the current financial year, it is anticipated that the market landscape will remain moderate. Despite the government and private sector investments driving domestic demands, the nation's performance and growth will be largely impacted by external factors such as tightened monetary policies, geopolitical unrest and inflationary pressures.

While the Construction Division has managed to expand its order book during the current quarter, it still faces the prevailing challenge of intense competition in securing tenders owing to increased eagerness of companies vying for a limited number of local projects. Aside from actively tendering for external projects, the Construction Division will continue to lend its support to the property development division to ensure timely and quality execution of in-house products.

In the recently announced Budget 2024, the government has implemented several measures aimed at stimulating the real property market. These include an allocation of RM10 billion to expand the Housing Credit Guarantee Scheme and the relaxation of requirements for the Malaysia My Second Home (MM2H) program. A positive effort by the Government priming the housing industry. Nevertheless, the Property Division will continue to focus on the quality execution of its ongoing projects, whilst keeping a close eye on market conditions in order to strategise its upcoming projects accordingly.

The Quarry Division maintains a positive outlook for the current financial year as it capitalises on the strategic locations of its plants to fulfill demands for construction materials and sustainable practices in the region. Despite market volatility and supply chain disruptions, the division looks to enhance its competitiveness by offering added advantages through reduced transportation costs to key proximity areas and reliable customer service. In line with its business strategy, the Quarry Division will continue to focus on operational improvements such as cost optimisation and streamlining its processes, in order to drive future sustainable growth.

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 have and will continue to impact the Division's performance in the current financial year.

The Group remains committed to navigate these challenges by adopting an adaptive approach towards the ever-changing market dynamics, improve cost efficiencies and leveraging on its established reputation built over the years in order to seize business opportunities. Premised on the foregoing, and in absence of any unforeseen circumstances, the Group is cautiously optimistic on its prospects for the current financial year ending December 2023.

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

B4. Income tax expense

	Current Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2023 RM	2022 RM	2023 RM	2022 RM
Current income tax:				
Malaysia income tax	2,064,240	1,985,152	4,038,846	4,202,766
Foreign tax	88,721	139,780	366,500	472,352
(Over)/Under provision in prior years	(53,748)	499	(53,748)	294
	<u>2,099,213</u>	<u>2,125,431</u>	<u>4,351,598</u>	<u>4,675,412</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	(45,754)	163,111	192,536	458,990
(Over)/Under provision in prior years	(10,210)	(1,293)	52,960	35,490
	<u>(55,964)</u>	<u>161,818</u>	<u>245,496</u>	<u>494,480</u>
Real Property Gain Tax	-	-	1,332	-
Withholding tax paid	<u>1,074</u>	<u>920</u>	<u>3,508</u>	<u>2,133</u>
Income tax expense	<u>2,044,323</u>	<u>2,288,169</u>	<u>4,601,934</u>	<u>5,172,025</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 September		Cumulative Quarter 9 months ended 30 September	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit before tax	8,426,567	6,843,337	21,099,700	16,597,498
Taxation at applicable tax rates	2,022,376	1,642,402	5,063,928	3,983,400
Income not subject to tax	(423,252)	(261,582)	(1,211,313)	(635,938)
Expenses not deductible for tax purposes	92,612	866,217	354,476	1,818,686
Expenses under special deduction for tax purposes	(10,828)	(15,612)	(31,074)	(68,762)
Difference in tax rate of foreign subsidiary	(17,763)	(27,947)	(75,326)	(94,035)
Utilisation of previously unrecognised deferred tax assets	(10)	-	(32)	-
Deferred tax assets not recognised	-	1	-	7
Deferred tax on undistributed earnings from foreign subsidiary	12,380	19,562	51,512	65,748
Deferred tax on fair value adjustment	15,139	-	29,158	-
Taxable foreign source income recognised in prior year	416,553	65,002	416,553	65,002
Real Property Gain Tax	-	-	1,332	-
Withholding tax paid	1,074	920	3,508	2,133
(Over)/Under provision of taxation in prior years	(53,748)	499	(53,748)	294
(Over)/Under provision of deferred tax in prior years	(10,210)	(1,293)	52,960	35,490
Income tax expense	2,044,323	2,288,169	4,601,934	5,172,025

B5. Corporate Proposals and Profit Forecast

Not applicable as no profit forecast was published.

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

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

B6. Borrowing and Debt Securities

	As at 30 September 2023	As at 30 September 2022
	RM	RM
Short term borrowings		
Hire purchase liabilities (secured)	375,499	466,980
Term loans (secured)	5,000,004	5,000,004
Revolving credits (unsecured)	-	26,730,000
Lease liabilities (unsecured)	942	11,237
	<u>5,376,445</u>	<u>32,208,221</u>
Long term borrowings		
Hire purchase liabilities (secured)	260,237	635,736
Term loans (secured)	19,833,290	24,833,294
Lease liabilities (unsecured)	57,305	68,249
	<u>20,150,832</u>	<u>25,537,279</u>
Total borrowings	<u>25,527,277</u>	<u>57,745,500</u>

Loan and borrowings are denominated in the following currencies:

	As at 30 September 2023	As at 30 September 2022
	RM	RM
Ringgit Malaysia	25,476,354	57,684,287
Lao Kip	50,923	61,213
	<u>25,527,277</u>	<u>57,745,500</u>

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

B7. Changes in Material Litigation

There was no material litigation against the Group as at the reporting date.

B8. Proposed Dividend

No dividend has been proposed or declared in respect of the financial year to date.

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

B9. Basic Earnings Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted number of ordinary shares in issue during the financial year:

	Current Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit attributable to owners of the Company	6,241,071	4,381,862	15,971,315	10,823,174
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	6.73	4.73	17.23	11.68

(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, in the ordinary course of business has caused certain financial institutions to issue Performance Bond guarantees amounting to RM2,822,448 on behalf of the main contractors. The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the company has not recognised the value of the obligation under the Financial Guarantee in its books.

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

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

The following table provides the fair value measurement hierarchy of the Group's non-financial assets and financial instruments as at 30 September 2023:

Fair value of non-financial assets and 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	-	-	124,798,056
Financial assets:			
Long term/short term investments			
- Equity instruments (quoted)	29,538	-	-
- Unit trust fund (quoted)	-	65,603,944	-
Financial liabilities:			
Other commitments	-	1,061,422	-

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

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 techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3

Level 3 fair value is measured using valuation techniques 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 : 20 November 2023