

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter and 3 months ended 31 March 2014 - unaudited**

	Note	Individual Quarter 3 months ended 31 March		Cumulative Quarters 3 months ended 31 March	
		2014	2013	2014	2013
		RM	RM	RM	RM
Revenue		50,633,058	57,720,113	50,633,058	57,720,113
Interest income		1,051,317	306,105	1,051,317	306,105
Other income		1,786,464	2,254,703	1,786,464	2,254,703
Operating expenses		(39,681,846)	(45,312,529)	(39,681,846)	(45,312,529)
Changes in work-in-progress and finished goods		394,528	(609,206)	394,528	(609,206)
Employee benefit expenses		(4,395,582)	(4,570,926)	(4,395,582)	(4,570,926)
Administrative expenses		(2,238,587)	(4,128,547)	(2,238,587)	(4,128,547)
Profit from operating activities	A8	7,549,352	5,659,713	7,549,352	5,659,713
Interest expense		(1,337,917)	(619,839)	(1,337,917)	(619,839)
Share of loss of associates, net of tax		(974,290)	(368,639)	(974,290)	(368,639)
Profit before tax		5,237,145	4,671,235	5,237,145	4,671,235
Income tax expense		(1,635,933)	(1,296,324)	(1,635,933)	(1,296,324)
Profit for the period, net of tax		3,601,212	3,374,911	3,601,212	3,374,911
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(1,506,101)	538,355	(1,506,101)	538,355
Gain/(loss) on fair value changes on available-for-sale investments		1,093	(5,113)	1,093	(5,113)
Share of other comprehensive income of associates		(66,378)	121,030	(66,378)	121,030
Other comprehensive income for the period, net of tax		(1,571,386)	654,272	(1,571,386)	654,272
Total comprehensive income for the period		2,029,826	4,029,183	2,029,826	4,029,183
Profit for the period attributable to:					
Owners of the Company		4,307,191	3,530,631	4,307,191	3,530,631
Non-controlling interests		(705,979)	(155,720)	(705,979)	(155,720)
Profit for the period		3,601,212	3,374,911	3,601,212	3,374,911
Total comprehensive income attributable to:					
Owners of the Company		3,432,823	3,914,090	3,432,823	3,914,090
Non-controlling interests		(1,402,997)	115,093	(1,402,997)	115,093
Total comprehensive income for the period		2,029,826	4,029,183	2,029,826	4,029,183
Basic/Diluted, earnings per ordinary share (sen)		4.65	3.81	4.65	3.81

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2013 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Financial Position
As at 31 March 2014 - unaudited**

	31 March 2014 RM	31 December 2013 RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	52,019,503	50,745,579
Land held for property development	96,444,389	95,834,981
Investment properties	117,475,000	118,455,000
Land use rights	201,531	209,596
Investments in associates	58,282,116	60,582,660
Available-for-sale investments	39,914	35,992
Quarry extraction exclusive right	255,804	535,550
Trade and other receivables	4,363,181	5,122,312
Deferred tax assets	1,331,198	1,329,964
Total non-current assets	<u>330,412,636</u>	<u>332,851,634</u>
Current Assets		
Property development costs	48,060,847	49,752,364
Inventories	40,719,692	37,756,677
Trade and other receivables	54,729,737	44,324,715
Other current assets	3,879,843	15,132,164
Available-for-sale investments	3,916,667	11,605,089
Tax recoverable	1,337,135	1,577,698
Cash and cash equivalents	94,348,416	83,189,584
Total current assets	<u>246,992,337</u>	<u>243,338,291</u>
Non-current assets classified as held-for-sale	<u>5,603,292</u>	<u>7,477,002</u>
TOTAL ASSETS	<u>583,008,265</u>	<u>583,666,927</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	205,690,570	201,383,379
Reserves	5,076,153	5,950,521
Total equity attributable to owners of the Company	<u>312,223,919</u>	<u>308,791,096</u>
Non-controlling interests	8,885,732	10,288,729
Total equity	<u>321,109,651</u>	<u>319,079,825</u>
Non-Current Liabilities		
Loans and borrowings	114,177,406	119,489,202
Deferred tax liabilities	8,674,055	8,729,028
Total non-current liabilities	<u>122,851,461</u>	<u>128,218,230</u>
Current Liabilities		
Loans and borrowings	20,461,125	13,052,529
Trade and other payables	101,188,840	105,550,407
Other current liabilities	15,516,832	15,613,334
Tax payable	1,880,356	2,152,602
Total current liabilities	<u>139,047,153</u>	<u>136,368,872</u>
Total liabilities	<u>261,898,614</u>	<u>264,587,102</u>
TOTAL EQUITY AND LIABILITIES	<u>583,008,265</u>	<u>583,666,927</u>
Net assets per share attributable to owners of the Company (RM)	<u>3.37</u>	<u>3.33</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2013 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (369472 - P)
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**Condensed Consolidated Statement of Changes in Equity
For 3 months ended 31 March 2014 - unaudited**

	←		Attributable to owners of the Company				→		Total RM	Non- controlling Interests RM	Total Equity RM
	Share capital RM	Share premium RM	Non distributable Foreign currency translation reserve RM	Asset revaluation reserve RM	Fair value adjustment reserve RM	Retained profits RM	Distributable				
3 months ended 31 March 2014											
Balance at 1 January 2014	92,699,600	8,757,596	4,325,606	1,567,909	57,006	201,383,379	308,791,096	10,288,729	319,079,825		
Total comprehensive income for the period	-	-	(875,058)	-	690	4,307,191	3,432,823	(1,402,997)	2,029,826		
Balance at 31 March 2014	92,699,600	8,757,596	3,450,548	1,567,909	57,696	205,690,570	312,223,919	8,885,732	321,109,651		
3 months ended 31 March 2013											
As previously stated											
Balance at 1 January 2013	92,699,600	8,757,596	(150,019)	1,567,909	38,931	179,924,585	282,838,602	7,412,170	290,250,772		
Prior year adjustments	-	-	1,359,384	-	-	-	1,359,384	1,306,074	2,665,458		
As restated	92,699,600	8,757,596	1,209,365	1,567,909	38,931	179,924,585	284,197,986	8,718,244	292,916,230		
Total comprehensive income for the period	-	-	388,662	-	(5,203)	3,530,631	3,914,090	115,093	4,029,183		
Dividend paid to non-controlling interests, representing total transactions with owners	-	-	-	-	-	-	-	(40,500)	(40,500)		
Balance at 31 March 2013	92,699,600	8,757,596	1,598,027	1,567,909	33,728	183,455,216	288,112,076	8,792,837	296,904,913		

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2013 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (369472 - P)

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**Condensed Consolidated Statement of Cash Flows
For the 3 months ended 31 March 2014 - unaudited**

	3 months ended 31 March	
	2014	2013
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation :	5,237,145	4,671,235
Adjustment for :-		
Amortisation of land use rights	1,214	1,126
Amortisation of quarry extraction exclusive right	279,746	22,314
Depreciation	1,230,048	5,985,892
Dividend income from available-for-sale investments	(52,019)	(61,994)
Gain on disposal of available-for-sale investments	(20,179)	(25,919)
Gain on disposal of property, plant and equipment, net	(172,119)	(38,153)
Gain on disposal of non-current assets classified as held-for-sale	(232,861)	(12,923)
Interest expense	1,490,403	794,091
Interest income	(1,124,857)	(306,105)
Loss on disposal of investment in a subsidiary	-	1,603
Write back of provision for impairment loss on trade and other receivables	(325,771)	(1,160,906)
Property, plant and equipment written off	1	255
Share of loss of associates	974,290	368,639
Unrealised gain on foreign exchange	(138,625)	(448,384)
Operating profit before changes in working capital	<u>7,146,416</u>	<u>9,790,771</u>
Changes in working capital:-		
Net changes in current assets	2,507,736	15,148,103
Net changes in current liabilities	<u>(3,003,176)</u>	<u>82,684,856</u>
Cash flows from operations	6,650,976	107,623,730
Interest paid	(45,218)	(52,817)
Interest received	255,388	148,069
Taxes paid	<u>(1,723,823)</u>	<u>(1,483,719)</u>
Net cash flows from operating activities	<u>5,137,323</u>	<u>106,235,263</u>

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**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 3 months ended 31 March 2014 - unaudited**

	3 months ended 31 March	
	2014	2013
	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance to associates	(150,000)	(175,000)
Interest received	200,371	135,790
Land held for property development	(1,802,248)	(18,650)
Net dividend received from available-for-sale investments	52,019	61,994
Proceeds from disposal of:		
- available-for-sale investments	10,461,054	5,083,537
- investment in a subsidiary	-	(4,867)
- investment property	980,000	245,000
- non-current assets classified as held-for-sale	2,106,571	822,000
- property, plant and equipment	268,000	130,878
Purchase of:		
- available-for-sale investments	(2,755,282)	(8,763,571)
- shares in associates	(35)	(1)
- investment properties	-	(93,851,514)
- property, plant and equipment	(1,084,664)	(86,880)
Withdrawal/(placement) of deposits with maturity period more than 3 months	1,295,931	(153,337)
Net cash flows from/(used in) investing activities	<u>9,571,717</u>	<u>(96,574,621)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to non-controlling interests	-	(40,500)
Interest paid	(1,219,252)	(529,595)
Repayment of term loan	(1,391,001)	(1,755,112)
Repayment of hire purchase liabilities	(446,793)	(170,877)
Net cash flows used in financing activities	<u>(3,057,046)</u>	<u>(2,496,084)</u>
Net increase in cash and cash equivalents	11,651,994	7,164,558
Effects of exchange rate differences	134,974	(11,706)
Cash and cash equivalents at beginning of the period	<u>81,484,339</u>	<u>47,662,114</u>
Cash and cash equivalents at end of the period	<u><u>93,271,307</u></u>	<u><u>54,814,966</u></u>

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(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 3 months ended 31 March 2014 - unaudited**

	3 months ended	
	31 March	
	2014	2013
	RM	RM
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:		
Cash and bank balances	46,523,004	21,351,416
Deposits with licensed banks	46,728,573	34,676,821
Deposits with licensed financial institution	1,096,839	2,187,535
Bank overdrafts	<u>(673,896)</u>	<u>(1,429,032)</u>
	93,674,520	56,786,740
Less:		
Deposit pledged for banking facilities	(133,365)	(1,500,110)
Deposits with maturity period more than 3 months	<u>(269,848)</u>	<u>(471,664)</u>
	<u>93,271,307</u>	<u>54,814,966</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2013 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 2013. 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 2013.

A2. Significant Accounting Policies

2.1 Changes in Accounting Policies

The significant accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those of the Group's consolidated audited financial statements for the year ended 31 December 2013 except as follows:

On 1 January 2014, the Group adopted the following applicable new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

Amendments to FRS 132 : Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 10, FRS 12 and FRS 127 : Investment Entities
Amendments to FRS 136 : Recoverable Amount Disclosures for Non-Financial Assets
Amendments to FRS 139 : Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21 : Levies

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

2.2 Malaysian Financial Reporting Standards (MFRS)

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretation 15 Agreements for Construction of Real Estate ("IC 15"), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for one year.

On 30 June 2012, MASB has given an option to Transitioning Entities to defer the adoption of the MFRS Framework for another year. Therefore, the MFRS Framework will be applicable to Transitioning Entities with effect from the annual period beginning on 1 January 2014.

A2. Significant Accounting Policies (cont'd.)

2.2 Malaysian Financial Reporting Standards (MFRS) (cont'd.)

In light of the development and the revisions of the project timelines by the IASB, MASB has decided to extend the transitional period for another year, i.e. the adoption of the MFRS Framework by all Transitioning Entities will be mandatory with effect from annual periods beginning on or after 1 January 2015.

The Company and its subsidiary, DKLS Development Sdn Bhd, fall within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2015.

In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has commenced transitioning its accounting policies and financial reporting from the current Financial Reporting Standards to the MFRS Framework by establishing a project team to plan and manage the adoption of the MFRS Framework.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the period ended 31 March 2014 could be different if prepared under the MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2015.

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.

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

	Currret Quarter		Current financial	
	3 months ended		year-to-date	
	31 March		3 months ended	
2014	2013	2014	2013	
RM	RM	RM	RM	
Amortisation of land use right	1,214	1,126	1,214	1,126
Amortisation of quarry extraction exclusive rights	279,746	22,314	279,746	22,314
Total depreciation	1,230,048	5,985,892	1,230,048	5,985,892
Depreciation capitalised under construction costs	(407,703)	(2,909,558)	(407,703)	(2,909,558)
Depreciation charged to profit from operating activities	822,345	3,076,334	822,345	3,076,334
Dividend income from available-for-sale investments	(52,019)	(61,994)	(52,019)	(61,994)
(Gain)/ loss on disposal of :				
- available-for-sale investments	(20,179)	(25,919)	(20,179)	(25,919)
- investment in a subsidiary	-	1,603	-	1,603
- non-current assets classified as held-for-sale	(232,861)	(12,923)	(232,861)	(12,923)
- property, plant and equipment, net	(172,119)	(38,153)	(172,119)	(38,153)
Property, plant and equipment written off	1	255	1	255
(Gain)/loss on foreign exchange				
- realised	-	7,411	-	7,411
- unrealised	(138,625)	(448,384)	(138,625)	(448,384)
Write back of provision for impairment loss on trade and other receivables	(325,771)	(1,160,906)	(325,771)	(1,160,906)
Gain on derivatives	N/A	N/A	N/A	N/A

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A9. Segmental reporting

Business Segments

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

Current quarter 3 months ended 31 March 2014	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	1,291,975	27,280,772	14,166,086	18,011,310	9,056,524	69,806,667
Inter-segment sales	700,025	10,040,269	400,077	-	8,033,238	19,173,609
External sales	591,950	17,240,503	13,766,009	18,011,310	1,023,286	50,633,058
Results						
Segment results	740,514	2,434,942	2,001,973	2,178,277	193,646	7,549,352
Interest expense	(1,093,316)	(24,906)	(8,598)	(211,097)	-	(1,337,917)
Group's share of results of associates	(974,255)	-	-	-	(35)	(974,290)
(Loss)/profit before taxation	(1,327,057)	2,410,036	1,993,375	1,967,180	193,611	5,237,145
Income tax expense	67,596	(722,107)	(393,478)	(509,657)	(78,287)	(1,635,933)
Profit for the period						<u>3,601,212</u>
Total Assets						
Segment assets	155,502,764	88,036,714	75,776,143	183,369,085	9,813,237	512,497,943
Interests in associates	58,282,116	-	-	-	-	58,282,116
Unallocated corporate assets	6,913,350	879,496	3,228,082	1,178,139	29,139	<u>12,228,206</u>
Total assets						<u>583,008,265</u>

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Current quarter 3 months ended 31 March 2013	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	1,100,683	27,647,196	21,641,609	15,507,163	3,462,184	69,358,835
Inter-segment sales	870,749	7,720,790	373,624	-	2,673,559	11,638,722
External sales	229,934	19,926,406	21,267,985	15,507,163	788,625	57,720,113
Results						
Segment results	(441,766)	2,090,974	1,536,235	2,495,788	(21,518)	5,659,713
Interest expense	(342,710)	(17,814)	(2,365)	(256,520)	(430)	(619,839)
Group's share of result of associates	(368,639)	-	-	-	-	(368,639)
(Loss)/Profit before taxation	(1,153,115)	2,073,160	1,533,870	2,239,268	(21,948)	4,671,235
Income tax expense	88,424	(351,066)	(432,939)	(593,367)	(7,376)	(1,296,324)
Profit for the period						<u>3,374,911</u>
Total Assets						
Segment assets	174,770,586	82,725,101	72,403,255	126,841,583	9,796,093	466,536,618
Interests in associates	51,705,255	-	-	-	-	51,705,255
Unallocated corporate assets	6,929,435	10,553,166	2,545,905	1,492,671	91,308	21,612,485
Total assets						<u>539,854,358</u>

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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	2014 RM	As at 31 March 2013 RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	144,470,183	92,964,823
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	1,693,480	1,814,141
Corporate guarantee given to third parties for payment of balance purchase price in connection with the purchase of investment property by one of the subsidiaries	-	75,040,000
	<u>146,163,663</u>	<u>169,818,964</u>

The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not recognized the value of the obligation under the financial guarantee in the statement of financial position.

(b) Contingent Assets

There were no contingent assets since 31 December 2013.

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A13. Related Party Disclosures

Significant related party transactions are as follows:

	Current quarter		Current financial	
	3 months ended		year-to-date	
	31 March		3 months ended	
	2014	2013	2014	2013
	RM	RM	RM	RM
Supply of electricity by Ipoh Tower Sdn Bhd	(20,252)	(12,986)	(20,252)	(12,986)
Sale of materials to :				
Juta Mahsuri Sdn Bhd	64,365	773	64,365	773
Savan-DKLS Water Supply Co Ltd	-	100,125	-	100,125
Purchase of consumables from DKLS Service Station	(22,598)	(21,201)	(22,598)	(21,201)
Rental of building paid to:				
Ding Poi Bor	(15,000)	(15,000)	(15,000)	(15,000)
Ipoh Tower Sdn Bhd	(16,200)	-	(16,200)	-
Rental income received from:				
Arkitek Ding Poi Kooi	2,250	2,250	2,250	2,250
Savan-DKLS Water Supply Co Ltd	14,066	-	14,066	-

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 2014 RM
Approved and contracted for: Property, plant and equipment	<u>1,150,160</u>
Approved but not contracted for: Property, plant and equipment	<u>452,088</u>

A15. Operating lease commitments - as lessor

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

	As at 31 March 2014 RM
Not later than 1 year	2,576,161
Later than 1 year but not later than 5 years	1,557,799
	<u>4,133,960</u>

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B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

Review of Performance for 1Q14 vs 1Q13

The Group recorded a revenue of RM50.633 million for the first quarter ended 31 March 2014 (1Q14), a decrease of RM7.087 million (or 12.3%), as compared to the revenue of RM57.720 million for the corresponding quarter ended 31 March 2013 (1Q13). The pre-tax profit for 1Q14 of RM5.237 million increased by RM0.566 million (or 12.1%) as compared to pre-tax profit of RM4.671 million for 1Q13. The lower revenue and higher pre-tax profit of the Group can be analysed as below:-

1Q14 vs 1Q13

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	362	(174)
Construction	(2,686)	337
Manufacturing	(7,502)	460
Property development	2,504	(272)
Others	235	215
	<u>(7,087)</u>	<u>566</u>

Investment

External revenue of the investment segment is derived mainly from investment properties. The higher revenue recorded in the current quarter compared to the corresponding quarter was mainly due to the rental income derived from a new investment property acquired by a subsidiary in January 2013 which commenced generating rental income in 2nd quarter of 2013.

For the current quarter under review, a higher pre-tax loss was recorded as compared to the corresponding quarter and this was substantially due to the increase in share of losses in associates and finance costs amounted to RM0.724 million and RM0.750 million respectively. The effect of these increases has been partially off-set by the increase in gain on foreign exchange of RM0.292 million and gain on disposal of property, plant and equipment of RM0.171 million.

Construction

The construction segment achieved a higher pre-tax profit despite a lower revenue. This was mainly due to higher margin realised from closing of certain projects in the current quarter as compared to the projects in progress in the corresponding quarter. Also included in the increase in pre-tax profit was a write back of provision for impairment loss on trade and other receivables of RM0.292 million.

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

B1. Operating Segment Review (cont'd.)

Manufacturing

There is a slight increase in pre-tax profit recorded by the manufacturing segment despite a lower revenue achieved. This was mainly due to lower depreciation charges of RM0.540 million in the current quarter as compared to depreciation charges of RM2.308 million arising from changes in accounting estimates in the corresponding quarter. If this was to be excluded, the manufacturing segment would have shown a lower pre-tax profit as a result of lower revenue achieved in the current quarter.

Property Development

Despite an increase in revenue, the property development segment recorded a lower pre-tax profit due to lower margin realisation of sale of residential properties under a joint venture development project in the current quarter as compared to higher margin realisation from sale of completed units in the corresponding period.

Others

The revenue of others segment in the current quarter mainly derived from trading of construction materials.

B2. Variance of Results Against Preceding Quarter

The revenue for 1Q14 decreased by 0.94% as compared to the revenue of RM51.114 million registered in the immediate preceding quarter (4Q13). The Group also recorded a decrease in pre-tax profit of RM7.755 million for 1Q14 as compared to the pre-tax profit of RM12.992 million for 4Q13. The high pre-tax profit in 4Q13 was substantially due to gain on disposal of investment property of RM5.182 million and share of profits of associates of RM0.804 million as compared to share of losses of associates of RM0.974 million in the current quarter.

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B3. Projects

Going forward, the directors expect the Group's operating environment to remain challenging and competitive. Barring any unforeseen circumstances and given the intense competition within the construction industry, the directors expect the profitability growth for the Group to be challenging.

B4. Income tax expense

	Current quarter		Current financial	
	3 months ended		year-to-date	
	31 March		3 months ended	
	2014	2013	2014	2013
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	1,692,140	2,614,986	1,692,140	2,614,986
Real properties gains tax	-	(3,750)	-	(3,750)
Over provision in prior years	-	(755)	-	(755)
	<u>1,692,140</u>	<u>2,610,481</u>	<u>1,692,140</u>	<u>2,610,481</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	(115,010)	(1,314,783)	(115,010)	(1,314,783)
Under provision in prior years	58,803	626	58,803	626
	<u>(56,207)</u>	<u>(1,314,157)</u>	<u>(56,207)</u>	<u>(1,314,157)</u>
Income tax expense	<u>1,635,933</u>	<u>1,296,324</u>	<u>1,635,933</u>	<u>1,296,324</u>

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B4. Income tax expense (cont'd.)

Current income tax is calculated at the Malaysian corporate statutory tax rate of 25% of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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		Current financial	
	3 months ended		year-to-date	
	31 March		3 months ended	
	2014	2013	2014	2013
	RM	RM	RM	RM
Profit before taxation	5,237,145	4,671,235	5,237,145	4,671,235
Taxation at applicable tax rates	1,309,286	1,167,809	1,309,286	1,167,809
Income not subject to tax	(473,288)	(423,004)	(473,288)	(423,004)
Expenses not deductible for tax purposes	590,013	576,339	590,013	576,339
Difference in tax rate	6,610	(42,547)	6,610	(42,547)
Effect of reversal of real property gains tax	(7,000)	(3,750)	(7,000)	(3,750)
Deferred tax assets not recognised	151,509	21,606	151,509	21,606
Over provision of current tax in prior years	-	(755)	-	(755)
Under provision of deferred tax in prior years	58,803	626	58,803	626
Income tax expense	1,635,933	1,296,324	1,635,933	1,296,324

B5. Corporate Proposals and Profit Forecast

Not applicable as no profit forecast was published.

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

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B6. Borrowing and Debt Securities

	As at 31 March	
	2014	2013
	RM	RM
Short term borrowings		
Hire purchase liabilities (secured)	2,165,225	551,692
Term loans (secured)	11,614,004	2,172,977
Bank overdrafts (unsecured)	673,896	1,429,032
Revolving credits (unsecured)	1,800,000	1,800,000
Revolving credits (secured)	390,000	-
Bankers' acceptances (unsecured)	3,818,000	2,375,754
	<u>20,461,125</u>	<u>8,329,455</u>
Long term borrowings		
Hire purchase liabilities (secured)	1,127,950	153,392
Term loans (secured)	99,362,328	54,463,122
Non-cumulative redeemable preference shares (unsecured)	13,687,128	12,826,158
	<u>114,177,406</u>	<u>67,442,672</u>
Total borrowings	<u>134,638,531</u>	<u>75,772,127</u>

Borrowings are denominated in the following currencies:

	As at 31 March	
	2014	2013
	RM	RM
Hong Kong Dollar	-	9,119,049
Ringgit Malaysia	134,638,531	57,343,028
Singapore Dollar	-	9,310,050
	<u>134,638,531</u>	<u>75,772,127</u>

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 2014.

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 2013. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 29 May 2014. If the approval is obtained, the dividend is payable on 15 August 2014 to shareholders whose names appear in the Record of Depositors on 31 July 2014.

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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:

	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
	2014	2013	2014	2013
	RM	RM	RM	RM
Profit attributable to owners of the Company	4,307,191	3,530,631	4,307,191	3,530,631
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	4.65	3.81	4.65	3.81

(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 2013 was unqualified.

B11. Financial Assistance in the Ordinary Course of Business

As at the end of the reporting period, DKLS Construction Sdn Bhd, a wholly-owned subsidiary of the Company, in the ordinary course of business has caused certain financial institutions to issue Performance Bond and Advance Bond guarantees amounting to RM21.384 million on behalf of the main contractors. The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not recognized the value of the obligation under the Financial Guarantee in its books.

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B12. Breakdown of Realised and Unrealised Profits/(Losses)

	Accumulative quarter ended 31 March	
	2014 RM	2013 RM
Total retained profits of the Group		
- Realised profits	270,652,615	248,713,569
- Unrealised losses	<u>(21,831,652)</u>	<u>(25,347,175)</u>
	<u>248,820,963</u>	<u>223,366,394</u>
 Total share of accumulated losses from associated companies		
- Realised losses	(17,142,747)	(14,732,596)
- Unrealised losses	<u>(91,681)</u>	<u>(91,681)</u>
	<u>(17,234,428)</u>	<u>(14,824,277)</u>
 Less: Consolidated adjustments	<u>(25,895,965)</u>	<u>(25,086,901)</u>
 Retained profits as per statement of financial position	<u>205,690,570</u>	<u>183,455,216</u>

By Order of the Board

Cheai Weng Hoong
Company Secretary

Dated : 29 May 2014