

Condensed Consolidated Statement of Comprehensive Income
For the quarter and 9 months ended 30 September 2014 - unaudited

	Note	Individual Quarter 3 months ended 30 September		Cumulative Quarters 9 months ended 30 September	
		2014	2013	2014	2013
		RM	RM	RM	RM
Revenue		59,681,837	52,601,887	153,408,796	175,873,100
Interest income		698,661	329,170	2,285,279	957,873
Other income		845,893	918,141	4,557,641	3,948,345
Operating expenses		(41,788,405)	(41,985,220)	(115,260,053)	(136,172,498)
Changes in work-in-progress and finished goods		239,127	158,644	907,984	(329,012)
Employee benefit expenses		(2,671,171)	(2,470,431)	(9,719,183)	(9,497,956)
Administrative expenses		(2,992,884)	(1,447,652)	(9,463,677)	(11,467,997)
Profit from operating activities	A8	14,013,058	8,104,539	26,716,787	23,311,855
Interest expense		(1,449,292)	(641,979)	(4,204,912)	(1,893,845)
Share of profit/(loss) of associates, net of tax		1,244,242	(302,494)	35,275	(2,695,558)
Profit before taxation		13,808,008	7,160,066	22,547,150	18,722,452
Income tax expense		(3,583,482)	(1,682,902)	(6,687,507)	(5,951,589)
Profit for the period		10,224,526	5,477,164	15,859,643	12,770,863
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		2,438,386	377,157	177,673	1,170,338
(Loss)/Gain on fair value changes on available-for-sale investments		(51,543)	1,057	(81,571)	12,332
Share of other comprehensive income of associates		1,709	-	(162,385)	-
Other comprehensive income for the period, net of tax		2,388,552	378,214	(66,283)	1,182,670
Total comprehensive income for the period		12,613,078	5,855,378	15,793,360	13,953,533
Profit for the period attributable to:					
Owners of the Company		9,734,402	6,095,078	16,484,353	15,245,762
Non-controlling interests		490,124	(617,914)	(624,710)	(2,474,899)
Profit for the period		10,224,526	5,477,164	15,859,643	12,770,863
Total comprehensive income attributable to:					
Owners of the Company		10,964,025	6,461,955	16,281,370	16,274,525
Non-controlling interests		1,649,053	(606,577)	(488,010)	(2,320,992)
Total comprehensive income for the period		12,613,078	5,855,378	15,793,360	13,953,533
Basic/Diluted, earnings per ordinary share (sen)		10.50	6.58	17.78	16.45

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 30 September 2014 - unaudited**

	30 September 2014 RM	31 December 2013 RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	58,190,068	50,745,579
Land held for property development	98,375,540	95,834,981
Investment properties	117,475,000	118,455,000
Land use rights	202,004	209,596
Investments in associates	60,760,886	60,582,660
Available-for-sale investments	38,991	35,992
Quarry extraction exclusive rights	233,560	535,550
Trade and other receivables	4,532,560	5,122,312
Deferred tax assets	1,515,769	1,329,964
Total non-current assets	341,324,378	332,851,634
Current Assets		
Property development costs	53,143,381	49,752,364
Inventories	38,569,464	37,756,677
Trade and other receivables	54,402,291	44,324,715
Other current assets	13,280,948	15,132,164
Available-for-sale investments	12,171,434	11,605,089
Tax recoverable	522,320	1,577,698
Cash and cash equivalents	75,917,124	83,189,584
Total current assets	248,006,962	243,338,291
Non-current assets classified as held-for-sale	5,759,538	7,477,002
TOTAL ASSETS	595,090,878	583,666,927
EQUITY AND LIABILITIES		
Equity		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	215,086,744	201,383,379
Reserves	5,747,538	5,950,521
Total equity attributable to owners of the Company	322,291,478	308,791,096
Non-controlling interests	9,764,871	10,288,729
Total equity	332,056,349	319,079,825
Non-Current Liabilities		
Loans and borrowings	115,629,586	119,489,202
Deferred tax liabilities	8,573,345	8,729,028
Total non-current liabilities	124,202,931	128,218,230
Current Liabilities		
Loans and borrowings	27,588,914	13,052,529
Trade and other payables	95,714,850	105,550,407
Other current liabilities	14,090,802	15,613,334
Tax payable	1,437,032	2,152,602
Total current liabilities	138,831,598	136,368,872
Total liabilities	263,034,529	264,587,102
TOTAL EQUITY AND LIABILITIES	595,090,878	583,666,927
Net assets per share attributable to owners of the Company (RM)	3.48	3.33

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 9 months ended 30 September 2014 - unaudited**

	Attributable to owners of the Company			Distributable			Non-controlling Interests	Total Equity
	Share capital RM	Share premium RM	Non distributable Foreign currency translation reserve RM	Asset revaluation surplus RM	Fair value adjustment reserve RM	Retained profits RM		
9 months ended 30 September 2014								
Balance at 1 January 2014	92,699,600	8,757,596	4,325,606	1,567,909	57,006	201,383,379	10,288,729	319,079,825
Total comprehensive income for the period	-	-	(119,843)	-	(83,140)	16,484,353	(488,010)	15,793,360
Transactions with owners:								
Dilution from changes in stake	-	-	-	-	-	-	(35,848)	(35,848)
Dividend to Owners	-	-	-	-	-	(2,780,988)	-	(2,780,988)
	-	-	-	-	-	(2,780,988)	(35,848)	(2,816,836)
Balance at 30 September 2014	92,699,600	8,757,596	4,205,763	1,567,909	(26,134)	215,086,744	9,764,871	332,056,349
9 months ended 30 September 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	7,412,170	290,250,772
Total comprehensive income for the period	-	-	1,015,150	-	13,613	15,245,762	(2,320,992)	13,953,533
Dividend to owners	-	-	-	-	-	(2,780,988)	(201,465)	(2,982,453)
Balance at 30 September 2013	92,699,600	8,757,596	865,131	1,567,909	52,544	192,389,359	4,889,713	301,221,852

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 9 months ended 30 September 2014 - unaudited**

	9 months ended 30 September	
	2014	2013
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,547,150	18,722,452
Adjustment for :-		
Amortisation of land use rights	3,564	3,474
Amortisation of quarry extraction exclusive rights	301,990	66,944
Depreciation	3,789,583	8,644,041
Dividend income from available-for-sale investments	(308,592)	(169,443)
Gain on disposal of available-for-sale investments	(9,901)	(78,616)
Gain on disposal of property, plant and equipment, net	(1,604,082)	(418,899)
Gain on disposal of non-current assets classified as held-for-sale	(389,107)	(12,923)
Interest expense	4,893,150	2,424,706
Interest income	(2,285,279)	(957,873)
Loss on disposal of investment in a subsidiary	-	1,603
Write back of impairment loss on trade and other receivables	(349,521)	(1,341,911)
Property, plant and equipment written off	24,358	259
Share of loss of associates	(35,275)	2,695,558
Write back of inventories written down	-	(58,318)
Unrealised loss on foreign exchange	954,909	2,669,529
Operating profit before changes in working capital	<u>27,532,947</u>	<u>32,190,583</u>
Changes in working capital:-		
Net changes in current assets	(9,681,210)	19,456,602
Net changes in current liabilities	(8,751,289)	69,757,688
Cash generated from operations	<u>9,100,448</u>	<u>121,404,873</u>
Interest paid	(184,167)	(151,593)
Interest received	673,144	493,949
Taxes paid	(6,689,186)	(6,619,553)
Net cash generated from operating activities	<u>2,900,239</u>	<u>115,127,676</u>

DKLS INDUSTRIES BERHAD (369472 - P)

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**Condensed Consolidated Statement of Cash Flows
For the 9 months ended 30 September 2014 - unaudited**

	9 months ended 30 September	
	2014 RM	2013 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	997,918	397,186
Advances to associates	(10,000)	(265,000)
Land held for property development	(3,733,399)	(207,275)
Net dividend received from available-for-sale investments	308,592	169,443
Placement of deposit pledged	(4,201)	(4,073)
Placement of deposits with maturity period more than 3 months	(10,436,450)	-
Proceeds from disposal of:		
- available-for-sale investments	15,666,887	16,974,996
- investment property	980,000	245,000
- investment in a subsidiary	-	(4,867)
- non-current assets classified as held-for-sale	2,106,571	822,000
- property, plant and equipment	1,751,050	890,173
Purchase of:		
- investment properties	-	(93,851,514)
- property, plant and equipment	(4,440,242)	(1,740,864)
- available-for-sale investments	(16,307,901)	(18,061,643)
- additional interest in associates	(35)	(1)
- additional interest in subsidiary from non-controlling interests	(35,848)	-
Withdrawal of deposits with maturity period more than 3 months	14,609,653	-
Net cash generated from/(used in) investing activities	<u>1,452,595</u>	<u>(94,636,439)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,780,988)	(2,780,988)
Dividend paid to non-controlling interests	-	(201,465)
Drawdown from term loan	2,539,000	-
Interest paid	(4,031,183)	(1,638,077)
Repayment of term loan	(5,173,003)	(2,037,112)
Repayment of hire purchase liabilities	(1,924,700)	(945,008)
Net cash used in financing activities	<u>(11,370,874)</u>	<u>(7,602,650)</u>
Net (decrease)/increase in cash and cash equivalents	(7,018,040)	12,888,587
Effects of exchange rate differences	(1,011,100)	294,199
Cash and cash equivalents at beginning of the period	<u>63,362,824</u>	<u>47,973,449</u>
Cash and cash equivalents at end of the period	<u><u>55,333,684</u></u>	<u><u>61,156,235</u></u>

DKLS INDUSTRIES BERHAD (369472 - P)

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**Condensed Consolidated Statement of Cash Flows
For the 9 months ended 30 September 2014 - unaudited**

**9 months ended
30 September**

2014	2013
RM	RM

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

Cash and bank balances	10,437,533	25,971,345
Deposits with licensed banks	65,479,591	37,236,749
Deposits with licensed financial institution	-	123,276
Bank overdrafts	<u>(4,945,221)</u>	<u>(696,765)</u>
	70,971,903	62,634,605
Less : Deposit pledged for banking facilities	(137,566)	(1,478,370)
Less: Deposits with maturity period more than 3 months	<u>(15,500,653)</u>	<u>-</u>
	<u>55,333,684</u>	<u>61,156,235</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.

DKLS INDUSTRIES BERHAD
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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 Standards Issued But Not Yet Effective

The Group has not adopted FRS 9 : Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010) that has been issued but only effective for annual periods beginning on or after 1 January 2015.

The Group plans to adopt this standard, if applicable, when its become effective on 1 January 2015.

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.

2.2 Standards Issued But Not Yet Effective (cont'd)

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

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.

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, ie. the adoption of the MFRS Framework by all Transitioning Entities will be mandatory with effect from annual period beginning on or after 1 January 2015.

On 2 September 2014, MASB has given an option to Transitioning Entities to defer the adoption of the MFRS Framework for another 2 years. Therefore, the MFRS Framework will be applicable to Transitioning Entities with effect from the annual period beginning on 1 January 2017.

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 2017.

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 30 September 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 2017.

A3. Seasonal or Cyclical Factors

The business operations of the Group were not affected by any significant seasonal or cyclical factors.

A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the financial year to date.

A5. Changes in Estimates

There were no changes in estimation that have had any material effect on the current quarter and the financial year to date results.

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.

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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 2013, which was approved at the Annual General Meeting on 29 May 2014, was paid on 15 August 2014 to shareholders whose names appear in the Record of Depositors on 25 July 2014.

A8. Profit from operating activities

	Curret Quarter 3 months ended 30 September		Current financial year-to-date 9 months ended 30 September	
	2014	2013	2014	2013
	RM	RM	RM	RM
The following items have been included in arriving at profit from operating activities:				
Amortisation of land use rights	1,179	1,208	3,564	3,474
Amortisation of quarry extraction exclusive rights	11,122	22,315	301,990	66,944
Total depreciation	1,294,397	1,330,355	3,789,583	8,644,041
Depreciation capitalised under construction costs	(552,366)	(556,502)	(1,410,099)	(4,040,303)
Depreciation charged to profit from operating activities	742,031	773,853	2,379,484	4,603,738
Dividend income from available-for-sale investments	(164,285)	(44,337)	(308,592)	(169,443)
(Gain)/loss on disposal of:				
- available-for-sale investments	18,608	(35,890)	(9,901)	(78,616)
- non-current assets classified as held-for-sale	53,429	-	(389,107)	(12,923)
- property, plant and equipment, net	(300,041)	(322,357)	(1,604,082)	(418,899)
(Gain)/loss on foreign exchange				
- realised	944	10,103	(469,986)	17,514
- unrealised	1,036,359	(593,259)	954,909	2,669,529
Loss on disposal of investment in a subsidiary	-	-	-	1,603
Property, plant and equipment written off	23,814	3	24,358	259
Write back of inventories written down	-	(24,379)	-	(58,318)
Write back of impairment loss				
on trade and other receivables	(8,400)	(102,623)	(349,521)	(1,341,911)
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 30 September 2014	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	8,523,049	32,825,315	20,635,459	12,546,987	7,405,823	81,936,633
Inter-segment sales	7,882,802	10,051,375	110,319	-	4,210,300	22,254,796
External sales	640,247	22,773,940	20,525,140	12,546,987	3,195,523	59,681,837
Results						
Segment results	(873,222)	8,936,598	3,761,597	1,896,419	291,666	14,013,058
Interest expense	(1,137,743)	(14,156)	(9,071)	(287,826)	(496)	(1,449,292)
Group's share of results of associates	1,244,242	-	-	-	-	1,244,242
Profit/(loss) before taxation	(766,723)	8,922,442	3,752,526	1,608,593	291,170	13,808,008
Income tax expense	31,577	(2,138,640)	(980,432)	(416,139)	(79,848)	(3,583,482)
Profit for the period						10,224,526
Total Assets						
Segment assets	(5,260,579)	(1,961,016)	681,259	9,574,928	1,933,454	4,968,046
Interests in associates	3,491,894	-	-	-	-	3,491,894
Unallocated corporate assets						2,575,815
Total assets						11,035,755

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Current quarter 3 months ended 30 September 2013	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	2,903,526	30,269,202	18,138,903	13,207,636	5,714,238	70,233,505
Inter-segment sales	2,288,746	8,418,376	2,307,622	-	4,616,874	17,631,618
External sales	614,780	21,850,826	15,831,281	13,207,636	1,097,364	52,601,887
Results						
Segment results	328,421	4,384,203	1,481,229	1,644,196	266,490	8,104,539
Interest expense	(354,558)	(23,620)	(10,716)	(252,460)	(625)	(641,979)
Group's share of result of associates	(302,494)	-	-	-	-	(302,494)
Profit/(loss) before taxation	(328,631)	4,360,583	1,470,513	1,391,736	265,865	7,160,066
Income tax expense	(44,020)	(817,790)	(389,995)	(365,488)	(65,609)	(1,682,902)
Profit for the period						5,477,164
Total Assets						
Segment assets	(814,235)	(2,426,791)	(3,562,195)	1,904,129	747,706	(4,151,386)
Interests in associates	139,532	-	-	-	-	139,532
Unallocated corporate assets						807,004
Total assets						(3,204,850)

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Cumulative quarter 9 months ended 30 September 2014	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	15,902,183	81,296,411	50,450,039	44,530,932	22,254,798	214,434,363
Inter-segment sales	13,993,305	30,600,932	784,505	-	15,646,825	61,025,567
External sales	1,908,878	50,695,479	49,665,534	44,530,932	6,607,973	153,408,796
Results						
Segment results	(1,338,435)	12,802,801	8,132,503	6,459,427	660,491	26,716,787
Interest expense	(3,339,032)	(72,490)	(21,779)	(770,668)	(943)	(4,204,912)
Group's share of results of associates	35,310	-	-	-	(35)	35,275
Profit/(loss) before taxation	(4,642,157)	12,730,311	8,110,724	5,688,759	659,513	22,547,150
Income tax expense	202,584	(3,217,783)	(1,966,189)	(1,486,929)	(219,190)	(6,687,507)
Profit for the period						15,859,643
Total Assets						
Segment assets	153,519,810	85,243,593	73,929,397	188,987,364	12,641,776	514,321,940
Interests in associates	60,760,886	-	-	-	-	60,760,886
Unallocated corporate assets						20,008,052
Total assets						595,090,878

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Cumulative quarter 9 months ended 30 September 2013	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	8,181,814	90,934,289	59,962,570	47,117,067	13,183,471	219,379,211
Inter-segment sales	6,993,998	22,855,052	3,111,572	-	10,545,489	43,506,111
External sales	1,187,816	68,079,237	56,850,998	47,117,067	2,637,982	175,873,100
Results						
Segment results	(4,152,292)	10,814,133	7,404,386	8,832,362	413,266	23,311,855
Interest expense	(1,047,006)	(58,648)	(23,809)	(762,957)	(1,425)	(1,893,845)
Group's share of result of associates	(2,695,558)	-	-	-	-	(2,695,558)
Profit/(loss) before taxation	(7,894,856)	10,755,485	7,380,577	8,069,405	411,841	18,722,452
Income tax expense	382,826	(2,070,598)	(1,922,359)	(2,229,474)	(111,984)	(5,951,589)
Profit for the period						12,770,863
Total Assets						
Segment assets	172,164,322	80,881,689	74,090,514	128,088,089	10,856,277	466,080,891
Interests in associates	49,992,929	-	-	-	-	49,992,929
Unallocated corporate assets						18,484,811
Total assets						534,558,631

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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 financial year to date, except for the following:

- (i) On 20 October 2014, DKLS Energy Sdn Bhd ("DESB"), a 51%-owned subsidiary of the Company, together with the remaining shareholders of Yong Yu Hydro Electric Development Company Co Ltd ("Yong Yu") (collectively referred to as the "Vendors") have entered into a Memorandum of Understanding ("MOU") with Sichuan Nengtou Electric Power Development Co Ltd ("Purchaser") to set out the framework for the proposed disposal of the entire 100% equity interest in Yong Yu by the Vendors to the Purchaser ("Proposed Disposal") as follows:
- (a) The Vendors and the Purchaser agree that the Shares Transfer Price for the Proposed Disposal shall be based solely on Yong Yu's 7 constructed power stations. The indicative Share Transfer Price after taking into consideration the fixed price per KW on the installed capacity of the respective power stations is RMB1,600.99 million (equivalent to approximately RM859.73 million using the exchange rate of RMB1 : RM0.537) which is subject to a valuation by a valuer appointed by the Purchaser. All other assets of Yong Yu deem to be included in the above mentioned value and shall not be valued separately.
- (b) The Purchaser shall perform a comprehensive due diligence on Yong Yu.
- (c) The Vendors shall enter into the Share Transfer Agreement with the Purchaser within 60 days from the date of the issuance of the due diligence report provided that the Purchaser is satisfied with the findings of the due diligence and no material facts had been found that would have material impact on the Proposed Disposal.
- (d) The MOU shall automatically be terminated if the Vendors and the Purchaser fail to sign the Share Transfer Agreement before 31 January 2015 or such other date as may be mutually agreed upon by all parties.
- (ii) On 17 November 2014, the Board has approved the disposal of the entire equity interest in the following subsidiary companies ("Disposal") for a total cash consideration of RM704,004:

<u>Name of subsidiaries</u>	<u>Equity interest held</u> %	<u>No. of ordinary shares held</u>	<u>Consideration</u> RM
DKLS Swansea Sdn Bhd	100%	300,002	300,002
Syabas Awansari Sdn Bhd	100%	300,002	300,002
Altidex Construction Sdn Bhd	100%	200,000	15,000
Gerbang Prisma Sdn Bhd	100%	100,000	89,000
			<u>704,004</u>

The Disposal is part of the rationalisation and streamlining exercise of the Group for the Company to divest its dormant and non-operating subsidiaries. Upon the completion of the Disposal, these companies cease to be the subsidiaries of the Company.

The Disposal has given rise to a loss of RM20,644 and RM9,496 at Group's and Company's level respectively.

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A11. Changes in Composition of the Group

On 20 June 2014, the Company acquired the balance of 40,000 ordinary shares of RM1.00 each, representing the balance of 40% equity interest in Gerbang Prisma Sdn Bhd ("Gerbang") for a total cash consideration of RM35,848. Upon completion of the acquisition, Gerbang became a wholly-owned subsidiary of the Company.

The fair value of the identifiable assets and liabilities of Gerbang as at the date of acquisition are as follows:

	Fair value RM
Cash and bank balances	91,121
Accrual	(1,500)
Net identifiable assets	<u>89,621</u>

A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities	As at 30 September	
	2014 RM	2013 RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	172,392,653	106,660,169
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	1,803,016	1,962,171
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>174,195,669</u>	<u>183,662,340</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	
	30 September		9 months ended	
	2014	2013	2014	2013
	RM	RM	RM	RM
Supply of electricity by Ipoh Tower Sdn Bhd	(26,970)	(11,938)	(64,812)	(37,445)
Service charge by Ipoh Tower Sdn Bhd on rented premises	(988)	-	(2,963)	-
Supply of labour to: DKLS Clearwater Sdn Bhd	-	-	131,731	-
Sale of materials to: DKLS Service Station	-	1,556	-	1,556
Juta Mahsuri Sdn Bhd	(8)	42,840	64,578	115,517
Savan-DKLS Water Supply Co Ltd	235,400	308,611	449,300	471,083
Purchase of consumables from DKLS Service Station	(24,166)	(10,079)	(72,619)	(51,657)
Rental of building paid to: Ding Poi Bor	(15,000)	(15,000)	(45,000)	(45,000)
Ipoh Tower Sdn Bhd	(16,200)	-	(48,600)	-
Rental income received from: Arkitek Ding Poi Kooi	-	2,250	2,250	6,750
Savan-DKLS Water Supply Co Ltd	13,484	-	36,724	-

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 2014 RM
Approved and contracted for: Property, plant and equipment	<u>5,044,393</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 2014 RM
Not later than 1 year	3,584,210
Later than 1 year but not later than 5 years	4,783,521
	<u>8,367,731</u>

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B. Additional information required by BMSB's Listing Requirements**B1. Operating Segment Review****(a) Review of Performance for 3Q14 vs 3Q13**

The Group recorded a revenue of RM59.682 million for the third quarter ended 30 September 2014 (3Q14), an increase of RM7.080 million (or 13.5%), compared to the revenue of RM52.602 million for the corresponding quarter (3Q13). The profit before tax for 3Q14 of RM13.808 million increased by RM6.648 million (or 92.8%) as compared to profit before tax of RM7.160 million for 3Q13.

The higher revenue and pre-tax profit of the Group can be analysed as below:-

3Q14 vs 3Q13

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	25	(438)
Construction	923	4,562
Manufacturing	4,694	2,282
Property development	(660)	217
Others	2,098	25
	<u>7,080</u>	<u>6,648</u>

(b) Review of Performance to date for FY2014 vs FY2013

The Group recorded a revenue of RM153.409 million for the financial year to date ended 30 September 2014 (3QFY14), decreased by RM22.464 million (or 12.8%), as compared to the revenue of RM175.873 million for the corresponding financial year to date (3QFY13). The profit before tax for 3QFY14 of RM22.547 million increased by RM3.825 million (or 20.4%) as compared to profit before tax of RM18.722 million for 3QFY13.

The lower revenue and higher pre-tax profit of the Group can be analysed as below:-

3QFY14 vs 3QFY13

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	721	3,253
Construction	(17,384)	1,975
Manufacturing	(7,185)	730
Property development	(2,586)	(2,381)
Others	3,970	248
	<u>(22,464)</u>	<u>3,825</u>

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

B1. Operating Segment Review (cont'd.)

Investment

External revenue of the investment segment is derived mainly from the investment properties.

For the current financial year to date, the investment segment continue to record a higher revenue as compared to the corresponding period as more floor areas being let out at the new office tower acquired by a subsidiary in January 2013 which commenced generating rental income in 2nd quarter 2013.

Despite an increase in the revenue, the investment segment still showed an accumulative pre-tax loss but with lower figure of RM4.624million as compared to RM7.895 million. The decrease of RM3.253 million mainly due to contribution from associates had showed an improvement. The associates had achieved a slight profit of RM35,310 in the current financial year to date as compared to a net loss of RM2.696 million in the corresponding period.

As for the current quarter, the investment segment had reflected an increase in the pre-tax loss as compared to the corresponding quarter mainly due to unfavourable exchange fluctuation. Total loss on foreign exchange accounted for in the current quarter amounting to RM1.129 million as compared to RM0.676 million in the corresponding quarter.

Construction

For the current financial year to date under review, the construction segment recorded a higher pre-tax profit of RM12.730 million (FY13 : RM10.755 million) despite having a lower revenue of RM50.695 million as compared to the corresponding period of RM68.079 million. This was mainly due to higher margin recorded in the current quarter as compared to the corresponding quarter due to realisation of higher profit upon completion of certain construction projects. The overall margin for on-going projects remained low mainly due to stiff competition in the construction industry.

Manufacturing

For the current quarter under review, the quarry segment recorded a higher pre-tax profit as a result of higher turnover. For the financial year to date under review, the manufacturing segment achieved a pre-tax profit of RM8.111 million (FY13: RM7.381 million) on a lower turnover of RM49.666 million (FY13 : RM56.851 million). The lower turnover was mainly due to stiff competition in the quarry industry. However, the profit for the current financial year to date under review was slightly higher as compared to the corresponding period due to the additional depreciation charges of RM2.377 million charged in the corresponding period as a result of revision of depreciation estimates. If this was excluded from the pre-tax profit in the corresponding period, the result of the manufacturing segment would have showed a consistent margin.

Property Development

For the current quarter under review, the property development segment recorded a higher pre-tax profit of RM1.609 million (3Q13 : RM1.392 million) despite having a lower revenue of RM12.547 million (3Q13 : RM13.208 million). The on going development projects showed a slight improvement in the profit margin as the housing scheme matured. Overall, it recorded a lower pre-tax profit as a result of lower turnover.

Others

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

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B2. Variance of Results Against Preceding Quarter

The revenue for 3Q14 of RM59.682 million decreased by RM16.588 (38.5%) as compared to the revenue of RM43.094 million registered in the immediate preceding quarter (2Q14). Correspondingly, the Group recorded a higher pre-tax profit of RM13.808 million, increase by 294.3%, for 3Q14 as compared to the pre-tax profit of RM3.502 million for 2Q14. The Group's higher profit was due to the higher turnover and share of profit in associates of RM1.244 million as compared to loss of RM0.235 million in the immediate preceding quarter. The higher pre-tax profit was also due to higher profit margin in 3Q14 as compared to 2Q14 resulted from the realisation of higher profit upon completion of certain projects in the construction segment.

B3. Prospects

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 and the financial results for the remaining period of the year to be satisfactory.

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B4. Income tax expense

	Current quarter 3 months ended 30 September		Current financial year-to-date 9 months ended 30 September	
	2014	2013	2014	2013
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	2,996,416	1,865,064	6,335,431	6,601,339
Foreign tax	-	1,089	1,374	1,822
Capital gain tax	-	-	-	(3,750)
Under/(over) provision in prior years	692,293	(134,240)	692,189	(135,956)
	<u>3,688,709</u>	<u>1,731,913</u>	<u>7,028,994</u>	<u>6,463,455</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	640,848	(54,207)	361,316	(528,836)
Under/(over) provision in prior years	(746,075)	5,196	(702,803)	16,970
	<u>(105,227)</u>	<u>(49,011)</u>	<u>(341,487)</u>	<u>(511,866)</u>
Income tax expense	<u>3,583,482</u>	<u>1,682,902</u>	<u>6,687,507</u>	<u>5,951,589</u>

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 3 months ended 30 September		Current financial year-to-date 9 months ended 30 September	
	2014	2013	2014	2013
	RM	RM	RM	RM
Profit before taxation	13,808,008	7,160,066	22,547,150	18,722,452
Taxation at applicable tax rates	3,452,002	1,790,017	5,636,788	4,680,613
Income not subject to tax	(1,938,679)	(251,999)	(3,890,035)	(978,879)
Expenses not deductible	1,920,761	322,576	4,417,183	2,279,319
Difference in tax rate	2,235	(27,561)	7,968	93,272
Effects of reversal of real property gains tax	-	-	(7,000)	(3,750)
Deferred tax assets not recognised	200,945	(21,087)	533,217	-
Over provision of current tax in prior years	692,293	(134,240)	692,189	(135,956)
Under/(over) provision of deferred tax in prior years	(746,075)	5,196	(702,803)	16,970
Income tax expense	<u>3,583,482</u>	<u>1,682,902</u>	<u>6,687,507</u>	<u>5,951,589</u>

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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.

B6. Borrowing and Debt Securities

	As at	
	30 September	
	2014	2013
	RM	RM
Short term borrowings		
Hire purchase liabilities (secured)	3,869,783	1,242,687
Term loan (secured)	11,614,003	3,592,965
Bank overdrafts (unsecured)	4,945,222	696,765
Revolving credits (unsecured)	4,800,000	1,800,000
Bankers' acceptances (unsecured)	2,359,906	3,394,000
	<u>27,588,914</u>	<u>10,726,417</u>
Long term borrowings		
Hire purchase liabilities (secured)	3,371,266	379,266
Term loan (secured)	98,119,326	53,644,221
Non-cumulative redeemable preference shares (unsecured) ("NCRPS")	14,138,994	13,249,515
	<u>115,629,586</u>	<u>67,273,002</u>
Total borrowings	<u>143,218,500</u>	<u>77,999,419</u>

Borrowings are denominated in the following currencies:

	As at	
	30 September	
	2014	2013
	RM	RM
Hong Kong Dollar	-	9,628,029
Ringgit Malaysia	143,218,500	58,687,234
Singapore Dollar	-	9,684,156
	<u>143,218,500</u>	<u>77,999,419</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 financial year to date.

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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:

	Current Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2014	2013	2014	2013
	RM	RM	RM	RM
Profit attributable to owners of the Company	9,734,402	6,095,078	16,484,353	15,245,762
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	10.50	6.58	17.78	16.45

(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, Advance Bond and deposit guarantees amounting to RM45.034 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 recognised the value of the obligation under the Financial Guarantee in its books.

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

	Cumulative Quarter 9 months ended 30 September	
	2014	2013
	<u>RM</u>	<u>RM</u>
Total retained profits of the Group		
- Realised profits	280,564,968	260,310,970
- Unrealised losses	<u>(22,376,302)</u>	<u>(27,699,234)</u>
	<u>258,188,666</u>	<u>232,611,736</u>
Total share of accumulated losses from associated companies		
- Realised losses	(16,133,182)	(17,059,515)
- Unrealised losses	<u>(91,681)</u>	<u>(91,681)</u>
	<u>(16,224,863)</u>	<u>(17,151,196)</u>
Less: Consolidated adjustments	<u>(26,877,059)</u>	<u>(23,071,181)</u>
Retained profits as per statement of financial position	<u>215,086,744</u>	<u>192,389,359</u>

By Order of the Board

Cheai Weng Hoong
Company Secretaries

Dated : 17 November 2014