

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter and 3 months ended 31 March 2015 - unaudited**

	Note	Individual Quarter 3 months ended 31 March		Cumulative Quarters 3 months ended 31 March	
		2015	2014	2015	2014
		RM	RM	RM	RM
Revenue		71,252,740	50,633,058	71,252,740	50,633,058
Interest income		495,296	1,051,317	495,296	1,051,317
Other income		3,661,009	1,786,464	3,661,009	1,786,464
Operating expenses		(54,890,077)	(39,681,846)	(54,890,077)	(39,681,846)
Changes in work-in-progress and finished goods		76,753	394,528	76,753	394,528
Employee benefit expenses		(5,221,699)	(4,395,582)	(5,221,699)	(4,395,582)
Administrative expenses		(5,071,433)	(2,238,587)	(5,071,433)	(2,238,587)
Profit from operating activities	A8	10,302,589	7,549,352	10,302,589	7,549,352
Interest expense		(1,535,731)	(1,337,917)	(1,535,731)	(1,337,917)
Share of loss of associates, net of tax		(19,307)	(974,290)	(19,307)	(974,290)
Profit before tax		8,747,551	5,237,145	8,747,551	5,237,145
Income tax expense		(2,661,261)	(1,635,933)	(2,661,261)	(1,635,933)
Profit for the period, net of tax		6,086,290	3,601,212	6,086,290	3,601,212
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		112,949	(1,506,101)	112,949	(1,506,101)
Gain/(loss) on fair value changes on available-for-sale investments		16,431	1,093	16,431	1,093
Share of other comprehensive income of associates		434,010	(66,378)	434,010	(66,378)
Other comprehensive income for the period, net of tax		563,390	(1,571,386)	563,390	(1,571,386)
Total comprehensive income for the period		6,649,680	2,029,826	6,649,680	2,029,826
Profit for the period attributable to:					
Owners of the Company		6,295,113	4,307,191	6,295,113	4,307,191
Non-controlling interests		(208,823)	(705,979)	(208,823)	(705,979)
Profit for the period		6,086,290	3,601,212	6,086,290	3,601,212
Total comprehensive income attributable to:					
Owners of the Company		6,744,107	3,432,823	6,744,107	3,432,823
Non-controlling interests		(94,427)	(1,402,997)	(94,427)	(1,402,997)
Total comprehensive income for the period		6,649,680	2,029,826	6,649,680	2,029,826
Basic/Diluted, earnings per ordinary share (sen)		6.79	4.65	6.79	4.65

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2014 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 2015 - unaudited

	31 March 2015 RM	31 December 2014 RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	68,702,229	60,059,559
Land held for property development	102,625,535	101,463,365
Investment properties	118,825,000	118,825,000
Investments in associates	5,931,703	5,487,000
Available-for-sale investments	34,839	37,607
Quarry extraction exclusive right	423,977	446,292
Trade and other receivables	7,632,974	7,622,992
Deferred tax assets	1,910,478	1,989,668
Total non-current assets	306,086,735	295,931,483
Current Assets		
Property development costs	58,536,621	55,813,367
Inventories	42,550,376	36,561,949
Trade and other receivables	51,999,487	54,479,884
Other current assets	19,683,075	12,177,957
Available-for-sale investments	1,363,092	5,619,120
Tax recoverable	464,678	1,145,845
Cash and cash equivalents	86,962,430	83,189,823
Total current assets	261,559,759	248,987,945
Non-current assets classified as held-for-sale	54,829,138	60,779,341
TOTAL ASSETS	622,475,632	605,698,769
EQUITY AND LIABILITIES		
Equity		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	227,278,830	219,985,894
Reserves	5,708,976	4,963,461
Reserve of disposal group classified as held for sale	-	741,905
Total equity attributable to owners of the Company	334,445,002	327,148,456
Non-controlling interests	6,112,561	8,268,986
Total equity	340,557,563	335,417,442
Non-Current Liabilities		
Loans and borrowings	126,219,116	123,752,785
Deferred tax liabilities	8,191,933	8,260,782
Total non-current liabilities	134,411,049	132,013,567
Current Liabilities		
Loans and borrowings	25,833,753	21,693,732
Trade and other payables	96,007,262	91,185,024
Other current liabilities	23,763,685	23,459,804
Tax payable	1,902,320	1,712,018
	147,507,020	138,050,578
Liability of disposal group classified as held for sale	-	217,182
Total current liabilities	147,507,020	138,267,760
Total liabilities	281,918,069	270,281,327
TOTAL EQUITY AND LIABILITIES	622,475,632	605,698,769
Net assets per share attributable to owners of the Company (RM)	3.61	3.53

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2014 and the accompanying notes attached to the Interim Financial Statements.

**Condensed Consolidated Statement of Changes in Equity
For 3 months ended 31 March 2015 - unaudited**

	Attributable to owners of the Company			Distributable			Total RM	Non- controlling Interests RM	Total Equity RM
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Non distributable	Asset revaluation reserve RM	Fair value adjustment reserve RM			
3 months ended 31 March 2015									
Balance at 1 January 2015	92,699,600	8,757,596	3,797,351	741,905	1,157,522	8,588	219,985,894	8,268,986	335,417,442
At 1 January 2015	-	-	296,521	(296,521)	-	-	-	-	-
Amount over recognised in equity relating to disposal group classified as held for sale	92,699,600	8,757,596	4,093,872	445,384	1,157,522	8,588	219,985,894	8,268,986	335,417,442
Restated	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	433,841	(445,384)	-	15,153	6,295,113	(94,427)	6,204,296
Transaction with owners: Changes in equity interests in a subsidiary	-	-	-	-	-	-	997,823	(2,061,998)	(1,064,175)
Balance at 31 March 2015	92,699,600	8,757,596	4,527,713	-	1,157,522	23,741	227,278,830	6,112,561	340,557,563
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	10,288,729	319,079,825
Total comprehensive income for the period	-	-	(875,058)	-	-	690	-	-	(874,368)
Balance at 31 March 2014	92,699,600	8,757,596	3,450,548	-	1,567,909	57,696	201,383,379	10,288,729	318,205,457

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2014 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows
For the 3 months ended 31 March 2015 - unaudited**

	3 months ended 31 March	
	2015 RM	2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation :	8,747,551	5,237,145
Adjustment for :-		
Amortisation of land use rights	1,324	1,214
Amortisation of quarry extraction exclusive right	22,315	279,746
Depreciation	1,709,166	1,230,048
Dividend income from available-for-sale investments	(21,231)	(52,019)
Gain on disposal of available-for-sale investments	1,652	(20,179)
Gain on disposal of investment in a subsidiary	(38,613)	-
Gain on disposal of property, plant and equipment, net	(816,592)	(172,119)
Gain on disposal of non-current assets classified as held-for-sale	(795,616)	(232,861)
Interest expense	1,869,583	1,490,403
Interest income	(495,296)	(1,124,857)
Provision/(write back of provision) for impairment loss on trade and other receivables	2,112,586	(325,771)
Property, plant and equipment written off	8,109	1
Share of loss of associates	19,307	974,290
Unrealised gain on foreign exchange	(651,918)	(138,625)
Operating profit before changes in working capital	11,672,327	7,146,416
Changes in working capital:-		
Net changes in current assets	(17,631,480)	2,507,736
Net changes in current liabilities	3,909,187	(3,003,176)
Cash flows (used in)/from operations	(2,049,966)	6,650,976
Interest paid	(92,157)	(45,218)
Interest received	137,283	255,388
Taxes paid	(1,779,230)	(1,723,823)
Net cash flows (used in)/from operating activities	(3,784,070)	5,137,323

DKLS INDUSTRIES BERHAD (369472 - P)

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**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 3 months ended 31 March 2015 - unaudited**

	3 months ended 31 March	
	2015 RM	2014 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance to associates	(30,000)	(150,000)
Interest received	348,031	200,371
Land held for property development	(1,162,170)	(1,802,248)
Net dividend received from available-for-sale investments	21,231	52,019
Proceeds from disposal of:		
- available-for-sale investments	5,793,422	10,461,054
- investment in a subsidiary	1,372,666	-
- investment property	-	980,000
- non-current assets classified as held-for-sale	4,149,616	2,106,571
- property, plant and equipment	1,168,000	268,000
Purchase of:		
- available-for-sale investments	(1,519,847)	(2,755,282)
- shares in associates	-	(35)
- additional shares in subsidiary	(90,000)	-
- property, plant and equipment (Placement)/withdrawal of deposits with maturity period more than 3 months	(3,431,172)	(1,084,664)
	(137,804)	1,295,931
Net cash flows from investing activities	<u>6,481,973</u>	<u>9,571,717</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,536,276)	(1,219,252)
Drawdown of term loan	1,700,096	-
Repayment of term loan	(2,096,811)	(1,391,001)
Repayment of hire purchase liabilities	(1,602,365)	(446,793)
Net cash flows used in financing activities	<u>(3,535,356)</u>	<u>(3,057,046)</u>
Net increase in cash and cash equivalents	(837,453)	11,651,994
Effects of exchange rate differences	(292,576)	134,974
Cash and cash equivalents at beginning of the period	64,403,720	81,484,339
Cash and cash equivalents at end of the period	<u>63,273,691</u>	<u>93,271,307</u>

DKLS INDUSTRIES BERHAD (369472 - P)

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**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 3 months ended 31 March 2015 - unaudited**

	3 months ended 31 March	
	2015	2014
	RM	RM
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:		
Cash and bank balances	20,857,096	46,523,004
Deposits with licensed banks	60,444,318	46,728,573
Deposits with licensed financial institution	5,661,016	1,096,839
Bank overdrafts	<u>(2,640,994)</u>	<u>(673,896)</u>
	84,321,436	93,674,520
Less:		
Deposit pledged for banking facilities	(137,566)	(133,365)
Deposits with maturity period more than 3 months	<u>(20,910,179)</u>	<u>(269,848)</u>
	<u>63,273,691</u>	<u>93,271,307</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2014 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 2014. 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 2014.

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 2014 except as follows:

On 1 January 2015, the Group adopted the following applicable amended FRSs mandatory for annual financial periods beginning on or after 1 July 2014.

Amendments to FRS 119 : Defined Benefit Plans : Employee Contributions
Annual Improvements to FRSs 2010-2012 Cycle
Annual Improvements to FRSs 2011-2013 Cycle

Adoption of the above standards 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, ie. 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 subsidiaries, DKLS Development Sdn Bhd and DKLS Premierhome 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 2015 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 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

	Current Quarter 3 months ended 31 March		Current financial year-to-date 3 months ended 31 March	
	2015	2014	2015	2014
	RM	RM	RM	RM
The following items have been included in arriving at profit from operating activities:				
Amortisation of land use right	1,324	1,214	1,324	1,214
Amortisation of quarry extraction exclusive rights	22,315	279,748	22,315	279,748
Total depreciation	1,709,166	1,230,048	1,709,166	1,230,048
Depreciation capitalised under construction costs	(906,006)	(407,703)	(906,006)	(407,703)
Depreciation charged to profit from operating activities	803,160	822,345	803,160	822,345
Dividend income from available-for-sale investments	(21,231)	(52,019)	(21,231)	(52,019)
(Gain)/ loss on disposal of :				
- available-for-sale investments	1,652	(20,179)	1,652	(20,179)
- investment in a subsidiary	(38,613)	-	(38,613)	-
- non-current assets classified as held-for-sale	(795,616)	(232,861)	(795,616)	(232,861)
- property, plant and equipment, net	(816,592)	(172,119)	(816,592)	(172,119)
Property, plant and equipment written off	8,109	1	8,109	1
(Gain)/loss on foreign exchange				
- realised	-	-	-	-
- unrealised	(651,918)	(138,625)	(651,918)	(138,625)
Provision/(write back of provision) for impairment loss on trade and other receivables	2,112,586	(325,771)	2,112,586	(325,771)
Gain on derivatives	N/A	N/A	N/A	N/A

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 2015	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	7,102,377	40,771,867	15,578,923	34,039,606	8,882,583	106,375,356
Inter-segment sales	6,000,734	22,524,181	316,667	-	6,281,034	35,122,616
External sales	1,101,643	18,247,686	15,262,256	34,039,606	2,601,549	71,252,740
Results						
Segment results	1,583,412	2,478,972	2,601,449	5,307,908	(1,669,152)	10,302,589
Interest expense	(1,146,865)	(43,610)	(20,885)	(321,075)	(3,296)	(1,535,731)
Group's share of results of associates	(19,307)	-	-	-	-	(19,307)
Profit/(Loss) before taxation	417,240	2,435,362	2,580,564	4,986,833	(1,672,448)	8,747,551
Income tax expense	57,761	(625,229)	(678,823)	(1,285,676)	(129,294)	(2,661,261)
Profit for the period						<u>6,086,290</u>
Total Assets						
Segment assets	164,717,310	107,413,645	73,446,577	207,745,199	4,618,973	557,941,704
Interests in associates	5,931,703	-	-	-	-	5,931,703
Unallocated corporate assets	54,955,042	1,136,153	34,839	2,476,191	-	58,602,225
Total assets						<u>622,475,632</u>

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

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 result 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						3,601,212
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	12,228,206
Total assets						583,008,265

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

- (i) On 2 January 2015, the Company acquired the remaining 90,000 ordinary shares of RM1.00 each in DKLS Marketing Sdn Bhd ("DMSB") not already held by the Company, representing 30% equity interest in DMSB, for a total cash consideration of RM90,000. Upon completion of the acquisition, DMSB became a wholly-owned subsidiary of the Company.
- (ii) On 31 March 2015, the Company disposed of 2,712,085 ordinary shares of RM1.00 each in DKLS-PJI Venture Capital Sdn Bhd ("DKLS-PJI"), representing 60% equity interest in DKLS-PJI, for a total cash consideration of RM1,500,000. Upon completion of the disposal, DKLS-PJI ceased to be a subsidiary of the Company. The disposal has given rise to a gain of RM38,613 at the Group level.

A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities	As at 31 March	
	2015 RM	2014 RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	199,400,185	144,470,183
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	968,781	1,693,480
Guarantee given to third party for payment of balance of purchase price in connection with land acquisition by a subsidiary	5,040,000	-
	<u>205,408,966</u>	<u>146,163,663</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 2014.

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	
	2015	2014	2015	2014
	RM	RM	RM	RM
Architect fees payable to Arkitek Ding Poi Kooi	(51,940)	-	(51,940)	-
Hire of motor vehicles to Savan-DKLS Water Supply Co Ltd	100,632	14,066	100,632	14,066
Purchase of consumables from DKLS Service Station	(22,604)	(22,598)	(22,604)	(22,598)
Rental of building paid to:				
Ding Poi Bor	(6,000)	(15,000)	(6,000)	(15,000)
Ipoh Tower Sdn Bhd	(13,200)	(16,200)	(13,200)	(16,200)
Rental income received from:				
Arkitek Ding Poi Kooi	-	2,250	-	2,250
Supply of electricity by Ipoh Tower Sdn Bhd	(21,229)	(20,252)	(21,229)	(20,252)
Sale of materials to :				
Juta Mahsuri Sdn Bhd	-	64,365	-	64,365
Savan-DKLS Water Supply Co Ltd	1,556,876	-	1,556,876	-
Supply of labour to DKLS Clearwater Sdn Bhd	128,134	-	128,134	-

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 2015 RM
Approved and contracted for:	
Property, plant and equipment	5,319,960

A15. Operating lease commitments - as lessor

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

	As at 31 March 2015 RM
Not later than 1 year	3,696,580
Later than 1 year but not later than 5 years	4,459,309
	<u>8,155,889</u>

B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

Review of Performance for 1Q15 vs 1Q14

The Group recorded revenue of RM71.252 million for the first quarter ended 31 March 2015 (1Q15), an increase of RM20.619 million (or 40.7%), as compared to the revenue of RM50.633 million for the corresponding quarter ended 31 March 2014 (1Q14). The pre-tax profit for 1Q15 of RM8.747 million increased by RM3.51 million (or 67.0%) as compared to the pre-tax profit of RM5.237 million for 1Q14. The higher revenue and pre-tax profit of the Group can be analysed as below:-

1Q15 vs 1Q14

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	510	1,744
Construction	1,007	25
Manufacturing	1,496	587
Property development	16,028	3,020
Others	1,579	(1,866)
	<u>20,620</u>	<u>3,510</u>

Investment

External revenue of the investment segment is derived mainly from investment properties. The investment segment recorded higher revenue as compared to the previous corresponding quarter as it continues to generate more rental income from its investment properties. The total floor space rented out for this current quarter is 68% as compared to 38% in the corresponding quarter.

With the increase in revenue, the investment segment registered pre-tax profit of RM0.417 million instead of pre-tax loss of RM1.327 million in the previous corresponding quarter. The improved result also contributed from the gain arising from disposal of investment amounting to RM0.834 million and lower share of losses in associated companies of RM19,307 as compared to RM0.974 million in the corresponding quarter.

Construction

The construction segment recorded a consistent result with pre-tax profit of RM2.435 million (1Q14 : RM2.410 million) on the back of revenue of RM18.247 million (1Q14 : RM17.24 million) from its on going projects.

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

B1. Operating Segment Review (cont'd.)

Manufacturing

Manufacturing segment has showed an improvement with the achieved revenue of RM15.262 million as compared to RM13.766 million. The pre-tax profit also improved due to higher revenue achieved. The profit margin was consistent with the previous corresponding quarter.

Property Development

For the current quarter under review, the property development segment recorded higher pre-tax profit due to 100% recognition from the completion of one of the housing schemes and the newly launched township by one of the subsidiaries which contributed 13% of the pre-tax profit.

Others

The revenue of others segment in the current quarter mainly derived from trading of construction materials. The pre-tax loss recorded for the current quarter was mainly due to provision for impairment loss on trade receivables of RM2.122 million.

B2. Variance of Results Against Preceding Quarter

The revenue for 1Q15 increased by 23.8% as compared to the revenue of RM57.572 million registered in the immediate preceding quarter (4Q14). With the higher revenue, the Group recorded higher pre-tax profit of RM8.747 million for 1Q15 as compared to the pre-tax profit of RM7.712 million for 4Q14. Included in this current quarter was a gain of RM0.834 million arising from disposal of investment.

B3. Propects

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 and newly implemented Goods and Services Tax ("GST"), the directors expect the profitability growth for the Group to be modest.

B4. Income tax expense

	Current quarter 3 months ended 31 March		Current financial year-to-date 3 months ended 31 March	
	2015	2014	2015	2014
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	2,650,920	1,692,140	2,650,920	1,692,140
Deferred income tax:				
Relating to origination and reversal of temporary differences	69,003	(115,010)	69,003	(115,010)
(Over)/Under provision in prior years	(58,662)	58,803	(58,662)	58,803
	10,341	(56,207)	10,341	(56,207)
Income tax expense	2,661,261	1,635,933	2,661,261	1,635,933

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 3 months ended 31 March		Current financial year-to-date 3 months ended 31 March	
	2015	2014	2015	2014
	RM	RM	RM	RM
Profit before taxation	8,747,551	5,237,145	8,747,551	5,237,145
Taxation at applicable tax rates	2,186,888	1,309,286	2,186,888	1,309,286
Income not subject to tax	(1,896,787)	(473,288)	(1,896,787)	(473,288)
Expenses not deductible for tax purposes	2,346,903	590,013	2,346,903	590,013
Difference in tax rate	41,515	6,610	41,515	6,610
Effect of reversal of real property gains tax	-	(7,000)	-	(7,000)
Deferred tax assets not recognised	41,404	151,509	41,404	151,509
Under provision of deferred tax in prior years	(58,662)	58,803	(58,662)	58,803
Income tax expense	2,661,261	1,635,933	2,661,261	1,635,933

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 31 March	
	2015	2014
	RM	RM
Short term borrowings		
Hire purchase liabilities (secured)	8,736,486	2,165,225
Term loans (secured)	5,564,004	11,614,004
Bank overdrafts (unsecured)	2,640,994	673,896
Revolving credits (unsecured)	1,800,000	1,800,000
Revolving credits (secured)	3,000,000	390,000
Bankers' acceptances (unsecured)	4,092,269	3,818,000
	<u>25,833,753</u>	<u>20,461,125</u>
Long term borrowings		
Hire purchase liabilities (secured)	6,505,229	1,127,950
Term loans (secured)	105,107,809	99,362,328
Non-cumulative redeemable preference shares (unsecured)	14,606,078	13,687,128
	<u>126,219,116</u>	<u>114,177,406</u>
Total borrowings	<u>152,052,869</u>	<u>134,638,531</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 2015.

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 2014. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 25 May 2015. If the approval is obtained, the dividend is payable on 18 August 2015 to shareholders whose names appear in the Record of Depositors on 31 July 2015.

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		Cumulative Quarter	
	3 months ended		3 months ended	
	31 March		31 March	
	2015	2014	2015	2014
	RM	RM	RM	RM
Profit attributable to owners of the Company	6,295,113	4,307,191	6,295,113	4,307,191
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	6.79	4.65	6.79	4.65

(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 2014 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 RM58.1 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.

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

	Accumulative quarter ended 31 March	
	2015	2014
	RM	RM
Total retained profits of the Group		
- Realised profits	290,622,250	270,652,615
- Unrealised losses	<u>(18,551,057)</u>	<u>(21,831,652)</u>
	<u>272,071,193</u>	<u>248,820,963</u>
Total share of accumulated losses from associated companies		
- Realised losses	(16,286,804)	(17,142,747)
- Unrealised losses	-	(91,681)
	<u>(16,286,804)</u>	<u>(17,234,428)</u>
Less: Consolidated adjustments	<u>(28,505,559)</u>	<u>(25,895,965)</u>
Retained profits as per statement of financial position	<u>227,278,830</u>	<u>205,690,570</u>

By Order of the Board

Cheai Weng Hoong
Company Secretary

Dated : 25 May 2015