

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter and 3 months ended 31 March 2016 - unaudited**

	Note	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
		2016	2015	2016	2015
		RM	RM	RM	RM
Revenue		54,840,279	71,252,740	54,840,279	71,252,740
Interest income		580,196	495,296	580,196	495,296
Other income		1,164,777	3,661,009	1,164,777	3,661,009
Operating expenses		(45,193,918)	(54,890,077)	(45,193,918)	(54,890,077)
Changes in work-in-progress and finished goods		1,019,504	76,753	1,019,504	76,753
Employee benefit expenses		(4,827,897)	(5,221,699)	(4,827,897)	(5,221,699)
Administrative expenses		(4,146,692)	(5,071,433)	(4,146,692)	(5,071,433)
Profit from operating activities	A8	3,436,249	10,302,589	3,436,249	10,302,589
Interest expense		(1,648,978)	(1,535,731)	(1,648,978)	(1,535,731)
Share of profit/(loss) of associates, net of tax		2,716,199	(19,307)	2,716,199	(19,307)
Profit before tax		4,503,470	8,747,551	4,503,470	8,747,551
Income tax expense		(865,971)	(2,661,261)	(865,971)	(2,661,261)
Profit for the period, net of tax		3,637,499	6,086,290	3,637,499	6,086,290
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(554,299)	112,949	(554,299)	112,949
Gain on fair value changes on available-for-sale investments		3,441	16,431	3,441	16,431
Share of other comprehensive income of associates		(4,972,311)	434,010	(4,972,311)	434,010
Other comprehensive income for the period, net of tax		(5,523,169)	563,390	(5,523,169)	563,390
Total comprehensive income for the period		(1,885,670)	6,649,680	(1,885,670)	6,649,680
Profit for the period attributable to:					
Owners of the Company		3,037,104	6,295,113	3,037,104	6,295,113
Non-controlling interests		600,395	(208,823)	600,395	(208,823)
Profit for the period		3,637,499	6,086,290	3,637,499	6,086,290
Total comprehensive income attributable to:					
Owners of the Company		(429,102)	6,744,107	(429,102)	6,744,107
Non-controlling interests		(1,456,568)	(94,427)	(1,456,568)	(94,427)
Total comprehensive income for the period		(1,885,670)	6,649,680	(1,885,670)	6,649,680
Basic/Diluted, earnings per ordinary share (sen)		3.28	6.79	3.28	6.79

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2015 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 2016 - unaudited**

	31 March 2016 RM	31 December 2015 RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	76,710,402	76,845,323
Land held for property development	124,366,624	123,647,688
Investment properties	119,650,000	119,650,000
Investments in associates	70,761,485	73,570,955
Available-for-sale investments	38,992	34,694
Quarry extraction exclusive right	334,719	357,034
Trade and other receivables	10,786,383	10,775,702
Deferred tax assets	1,598,704	1,590,275
Total non-current assets	<u>404,247,309</u>	<u>406,471,671</u>
Current Assets		
Property development costs	28,863,618	30,956,963
Inventories	46,849,375	46,093,237
Trade and other receivables	68,419,610	71,003,201
Other current assets	4,480,798	1,934,952
Available-for-sale investments	17,085,736	15,909,838
Tax recoverable	3,057,619	2,303,066
Cash and cash equivalents	59,136,209	72,918,368
Total current assets	<u>227,892,965</u>	<u>241,119,625</u>
TOTAL ASSETS	<u>632,140,274</u>	<u>647,591,296</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	245,818,502	242,781,398
Reserves	9,885,265	13,351,471
Total equity attributable to owners of the Company	<u>357,160,963</u>	<u>357,590,065</u>
Non-controlling interests	<u>9,871,478</u>	<u>11,328,046</u>
Total equity	<u>367,032,441</u>	<u>368,918,111</u>
Non-Current Liabilities		
Loans and borrowings	115,872,300	118,745,456
Deferred tax liabilities	6,979,547	6,991,704
Total non-current liabilities	<u>122,851,847</u>	<u>125,737,160</u>
Current Liabilities		
Loans and borrowings	22,031,560	27,128,027
Trade and other payables	98,034,123	103,412,953
Other current liabilities	21,266,782	21,169,540
Tax payable	923,521	1,225,505
Total current liabilities	<u>142,255,986</u>	<u>152,936,025</u>
Total liabilities	<u>265,107,833</u>	<u>278,673,185</u>
TOTAL EQUITY AND LIABILITIES	<u>632,140,274</u>	<u>647,591,296</u>
Net assets per share attributable to owners of the Company (RM)	<u>3.85</u>	<u>3.86</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2015 and the accompanying notes attached to the Interim Financial Statements.

**Condensed Consolidated Statement of Changes in Equity
For 3 months ended 31 March 2016 - unaudited**

	Attributable to owners of the Company						Total RM	Non- controlling Interests RM	Total Equity RM	
	Non distributable			Distributable						
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Relating to assets held for sale RM	Asset revaluation reserve RM	Fair value adjustment reserve RM	Retained profits RM	Total RM	Total Equity RM	
3 months ended 31 March 2016										
Balance at 1 January 2016	92,699,600	8,757,596	12,161,042	-	1,157,522	32,907	242,781,398	357,590,065	11,328,046	368,918,111
Total comprehensive income for the period	-	-	(3,469,657)	-	-	3,451	3,037,104	(429,102)	(1,456,568)	(1,885,670)
Balance at 31 March 2016	92,699,600	8,757,596	8,691,385	-	1,157,522	36,358	245,818,502	357,160,963	9,871,478	367,032,441
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	327,148,456	8,268,986	335,417,442
Amount over recognised in equity relating to disposal group classified as held for sale	-	-	296,521	(296,521)	-	-	-	-	-	-
Restated	92,699,600	8,757,596	4,093,872	445,384	1,157,522	8,588	219,985,894	327,148,456	8,268,986	335,417,442
Total comprehensive income for the period	-	-	433,841	-	-	15,153	6,295,113	6,744,107	(94,427)	6,649,680
Transaction with owners: Changes in equity interests in a subsidiary Disposal of non-current assets held for sale	-	-	-	-	-	-	997,823	997,823	(2,061,998)	(1,064,175)
	-	-	-	(445,384)	-	-	-	(445,384)	-	(445,384)
	-	-	-	(445,384)	-	-	997,823	552,439	(2,061,998)	(1,509,559)
Balance at 31 March 2015	92,699,600	8,757,596	4,527,713	-	1,157,522	23,741	227,278,830	334,445,002	6,112,561	340,557,563

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2015 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 2016 - unaudited**

	3 months ended 31 March	
	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation :	4,503,470	8,747,551
Adjustment for :-		
Amortisation of land use rights	-	1,324
Amortisation of quarry extraction exclusive right	22,315	22,315
Bad debts written off	300	-
Depreciation	2,183,821	1,709,166
Dividend income from available-for-sale investments	(33,242)	(21,231)
Gain on disposal of available-for-sale investments	(1,472)	1,652
Gain on disposal of investment in a subsidiary	-	(38,613)
Gain on disposal of property, plant and equipment, net	(289,997)	(816,592)
Gain on disposal of non-current assets classified as held-for-sale	-	(795,616)
Interest expense	1,761,714	1,869,583
Interest income	(580,196)	(495,296)
Provision for impairment loss on trade and other receivables	-	2,112,586
Property, plant and equipment written off	-	8,109
Share of (profit)/loss of associates	(2,716,199)	19,307
Unrealised loss/(gain) on foreign exchange	1,537,622	(651,918)
Operating profit before changes in working capital	<u>6,388,136</u>	<u>11,672,327</u>
Changes in working capital:-		
Net changes in current assets	1,681,353	(17,631,480)
Net changes in current liabilities	(8,918,510)	3,909,187
Cash flows used in operations	<u>(849,021)</u>	<u>(2,049,966)</u>
Interest paid	(53,529)	(92,157)
Interest received	285,078	137,283
Taxes paid	(1,943,092)	(1,779,230)
Net cash flows used in operating activities	<u>(2,560,564)</u>	<u>(3,784,070)</u>

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 3 months ended 31 March 2016 - unaudited**

	3 months ended 31 March	
	2016	2015
	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance to associates	-	(30,000)
Interest received	284,437	348,031
Land held for property development	(718,936)	(1,162,170)
Net dividend received from available-for-sale investments	33,242	21,231
Proceeds from disposal of:		
- available-for-sale investments	8,333,246	5,793,422
- investment in a subsidiary	-	1,372,666
- non-current assets classified as held-for-sale	-	4,149,616
- property, plant and equipment	290,000	1,168,000
Purchase of:		
- available-for-sale investments	(9,508,529)	(1,519,847)
- additional shares in subsidiary	-	(90,000)
- property, plant and equipment	(1,957,903)	(3,431,172)
Withdrawal/(Placement) of deposits with maturity period more than 3 months	8,840,324	(137,804)
Net cash flows from investing activities	<u>5,595,881</u>	<u>6,481,973</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,450,789)	(1,536,276)
Drawdown of term loan	-	1,700,096
Repayment of term loan	(2,162,149)	(2,096,811)
Repayment of hire purchase liabilities	(2,987,359)	(1,602,365)
Net cash flows used in financing activities	<u>(6,600,297)</u>	<u>(3,535,356)</u>
Net decrease in cash and cash equivalents	(3,564,980)	(837,453)
Effects of exchange rate differences	(1,308,748)	(292,576)
Cash and cash equivalents at beginning of the period	<u>63,249,267</u>	<u>64,403,720</u>
Cash and cash equivalents at end of the period	<u><u>58,375,539</u></u>	<u><u>63,273,691</u></u>

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 3 months ended 31 March 2016 - unaudited**

	3 months ended	
	31 March	
	2016	2015
	RM	RM
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:		
Cash and bank balances	13,749,121	20,857,096
Deposits with licensed banks	45,387,088	60,444,318
Deposits with licensed financial institution	-	5,661,016
Bank overdrafts	-	(2,640,994)
	<u>59,136,209</u>	<u>84,321,436</u>
Less:		
Deposit pledged for banking facilities	-	(137,566)
Deposits with maturity period more than 3 months	(760,670)	(20,910,179)
	<u>58,375,539</u>	<u>63,273,691</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2015 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 2015. 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 2015.

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 2015 except as follows:

On 1 January 2016, the Group adopted the following applicable amended FRSs mandatory for annual financial periods beginning on or after 1 January 2016.

Annual Improvements to FRSs 2012-2014 Cycle

Amendments to FRS 10, FRS 12 and FRS 128 : Investment Entities : Applying the Consolidation Exception

Amendments to FRS 101 : Disclosure Initiatives

Amendments to FRS 116 and FRS 138 : Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 127 : Consolidated and Separate Financial Statements : Equity Method in Separate Financial Statements

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.

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.

On 2 September 2014, MASB announced that Transitioning Entities shall require to apply the MFRS Framework for annual period beginning on or after 1 January 2017. However, on 8 September 2015, MASB announced that for all Transitioning Entities, the requirement to apply the MFRS Framework are effective for annual period beginning on or after 1 January 2018.

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 2018.

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 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 2016 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 2018.

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		Cumulative quarter	
	3 months ended		3 months ended	
	31 March		31 March	
2016	2015	2016	2015	
	RM	RM	RM	RM
Amortisation of land use right	-	1,324	-	1,324
Amortisation of quarry extraction exclusive rights	22,315	22,315	22,315	22,315
Bad debts written off	300	-	300	-
Total depreciation	2,183,821	1,709,166	2,183,821	1,709,166
Depreciation capitalised under construction costs	(1,047,188)	(906,006)	(1,047,188)	(906,006)
Depreciation charged to profit from operating activities	1,136,633	803,160	1,136,633	803,160
Dividend income from available-for-sale investments	(33,242)	(21,231)	(33,242)	(21,231)
(Gain)/ loss on disposal of :				
- available-for-sale investments	(1,472)	1,652	(1,472)	1,652
- investment in a subsidiary	-	(38,613)	-	(38,613)
- non-current assets classified as held-for-sale	-	(795,616)	-	(795,616)
- property, plant and equipment, net	(289,997)	(816,592)	(289,997)	(816,592)
Property, plant and equipment written off	-	8,109	-	8,109
Unrealised (gain)/loss on foreign exchange	1,537,622	(651,918)	1,537,622	(651,918)
Provision for impairment loss on trade and other receivables	-	2,112,586	-	2,112,586
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 2016	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	1,767,080	36,000,655	10,450,848	10,397,985	1,674,705	60,291,273
Inter-segment sales	83,136	5,159,036	97,301	-	111,521	5,450,994
External sales	<u>1,683,944</u>	<u>30,841,619</u>	<u>10,353,547</u>	<u>10,397,985</u>	<u>1,563,184</u>	<u>54,840,279</u>
Results						
Segment results	(532,279)	1,117,538	1,607,503	1,204,866	38,621	3,436,249
Interest expense	(1,100,723)	(51,910)	(37,969)	(457,857)	(519)	(1,648,978)
Group's share of results of associates	2,716,199	-	-	-	-	2,716,199
Profit before taxation	<u>1,083,197</u>	<u>1,065,628</u>	<u>1,569,534</u>	<u>747,009</u>	<u>38,102</u>	<u>4,503,470</u>
Income tax expense	60,046	(313,831)	(386,478)	(222,482)	(3,226)	(865,971)
Profit for the period						<u>3,637,499</u>
Total Assets						
Segment assets	158,406,848	124,645,105	62,385,224	187,351,804	6,340,344	539,129,325
Interests in associates	70,761,485	-	-	-	-	70,761,485
Unallocated corporate assets						<u>21,781,051</u>
Total assets						<u>631,671,861</u>

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

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 result 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						6,086,290
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						58,602,225
Total assets						622,475,632

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	2016 RM	As at 31 March 2015 RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	192,388,719	199,400,185
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	839,823	968,781
	193,228,542	200,368,966

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 2015.

A13. Related Party Disclosures

Significant related party transactions are as follows:

	Current quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
	2016	2015	2016	2015
	RM	RM	RM	RM
Architect fees payable to Arkitek Ding Poi Kooi	(241,330)	(51,940)	(241,330)	(51,940)
Hire of motor vehicles to Savan-DKLS Water Supply Co Ltd	33,113	100,632	33,113	100,632
Purchase of consumables from DKLS Service Station	(16,052)	(22,604)	(16,052)	(22,604)
Rental of building paid to: Ding Poi Bor	(15,000)	(6,000)	(15,000)	(6,000)
Ipoh Tower Sdn Bhd	(13,200)	(13,200)	(13,200)	(13,200)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(6,950)	(2,000)	(6,950)	(2,000)
Supply of electricity by Ipoh Tower Sdn Bhd	(21,919)	(21,229)	(21,919)	(21,229)
Sale of materials to Savan-DKLS Water Supply Co Ltd	-	1,556,876	-	1,556,876

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 2016 RM
Approved and contracted for: Property, plant and equipment	<u>3,344,336</u>

A15. Operating lease commitments - as lessor

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

	As at 31 March 2016 RM
Not later than 1 year	6,442,813
Later than 1 year but not later than 5 years	<u>4,469,037</u>
	<u>10,911,850</u>

B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

Review of Performance for 1Q16 vs 1Q15

The Group recorded a revenue of RM54.84 million for the first quarter ended 31 March 2016 (1Q16), a decrease of RM16.41 million (or 23%), as compared to the revenue of RM71.25 million for the previous corresponding quarter ended 31 March 2015 (1Q15). The pre-tax profit for 1Q16 of RM4.5 million decreased by RM4.24 million (or 48%) as compared to pre-tax profit of RM8.74 million for 1Q15. The lower revenue and pre-tax profit of the Group can be analysed as below:-

1Q16 vs 1Q15

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	582	666
Construction	12,594	(1,370)
Manufacturing	(4,909)	(1,011)
Property development	(23,642)	(4,240)
Others	(1,038)	1,711
	<u>(16,413)</u>	<u>(4,244)</u>

Investment

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

The investment segment continue to record a higher revenue as compared to the previous corresponding quarter as revenue generated from 100% occupied floor space has been recognised since the immediate preceding quarter as compared to 68% in the previous corresponding quarter.

For the current quarter under review, the investment segment registered a pre-tax profit of RM1.083 million as compared to the pre-tax profit of RM0.417 million in the previous corresponding quarter. The improved result was mainly contributed from share of profits in associated companies of RM2.716 million as compared to share of loss of RM19,307 in the previous corresponding quarter. This impact was partially off-set by the loss on foreign exchange of RM1.344 million (1Q15 : gain on foreign exchange of RM40,987) recorded in the current quarter under review. Included in the previous corresponding quarter's pre-tax profit was a gain arising from disposal of investment amounted to RM0.834 million. If all these were excluded from pre-tax profit, the investment segment recorded a lower pre-tax loss of RM0.289 million as compared to the loss of RM0.439 for the previous corresponding quarter from its investment properties as a result of higher revenue recognised in this current quarter.

Construction

For the current quarter under review, the construction segment recorded a lower pre-tax profit of RM1.066 million (1Q15 : RM2.435 million) despite a higher revenue of RM30.84 million (1Q15 : RM18.25 million) from its ongoing projects.

The construction segment continue to recognise lower profit margin from its ongoing projects for the current quarter. The profit margin from its ongoing projects was affected by the Goods and Services Tax which comes into effect on 1 April 2015. This coupled with the loss on foreign exchange of RM0.372 million as compared to gain on foreign exchange of RM0.611 million and gain on disposal of property, plant and equipment of RM0.393 million (1Q16 : RMNil) included in the previous corresponding quarter.

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

B1. Operating Segment Review (cont'd.)

Manufacturing

The manufacturing segment recorded a lower pre-tax profits of RM1.57 million (1Q15 : RM2.58 million) on the back of lower turnover of RM10.354 million (1Q15 : RM15.262 million). The overhead costs remained consistent with the previous corresponding quarter despite the lower turnover, thus the overall profit margin was reduced slightly as compared to previous corresponding quarter.

Property Development

The property development segment recorded a lower pre-tax profit of RM0.747 million (1Q15 : RM4.987 million) on the back of lower turnover of RM10.398 million (1Q15 : RM34.04 million).

The lower turnover was mainly due to one of the mature housing schemes which has been completed and handed over in the third quarter of 2015.

The overall profit margin is lower as compared to the previous corresponding quarter due to contribution from the maiden housing schemes which yielded a lower profit margin as compared to the mature housing schemes which generally have a higher profit margin.

Others

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

This segment recorded a slight pre-tax profit of RM38,102 as compared to pre-tax loss of RM1.672 million in the previous corresponding quarter despite a lower turnover of RM1.563 million (1Q15 : RM2.602 million). The pre-tax loss recorded in the previous corresponding 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 1Q16 of RM54.84 million decreased by 28% as compared to the revenue of RM60.926 million registered in the immediate preceding quarter (4Q15). The Group recorded a lower pre-tax profit of RM4.503 million for 1Q16 as compared to the pre-tax profit of RM8.935 million for 4Q15 due to lower turnover and a fair value adjustment of investment properties of RM0.825 million included in the immediate preceding quarter's pre-tax profit. This impact was partially off-set by the share of profit from associates of RM2.716 million in the current quarter as compared to RM0.959 million recorded for the immediate preceding quarter.

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 profit for the Group to be modest.

B4. Income tax expense

	Current quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
	2016	2015	2016	2015
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	886,555	2,650,920	886,555	2,650,920
Deferred income tax:				
Relating to origination and reversal of temporary differences	(14,305)	69,003	(14,305)	69,003
Over provision in prior years	(6,279)	(58,662)	(6,279)	(58,662)
	<u>(20,584)</u>	<u>10,341</u>	<u>(20,584)</u>	<u>10,341</u>
Income tax expense	<u>865,971</u>	<u>2,661,261</u>	<u>865,971</u>	<u>2,661,261</u>

Current income tax is calculated at the Malaysian corporate statutory tax rate of 24% 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		Cumulative quarter 3 months ended 31 March	
	2016	2015	2016	2015
	RM	RM	RM	RM
Profit before taxation	4,503,470	8,747,551	4,503,470	8,747,551
Taxation at applicable tax rates	1,080,833	2,186,888	1,080,833	2,186,888
Income not subject to tax	(199,011)	(1,896,787)	(199,011)	(1,896,787)
Expenses not deductible for tax purposes	18,949	2,346,903	18,949	2,346,903
Difference in tax rate	-	41,515	-	41,515
Deferred tax assets not recognised	(23,793)	41,404	(23,793)	41,404
Utilisation of previously unrecognised deferred tax assets	(4,728)	-	(4,728)	-
Under provision of deferred tax in prior years	(6,279)	(58,662)	(6,279)	(58,662)
Income tax expense	<u>865,971</u>	<u>2,661,261</u>	<u>865,971</u>	<u>2,661,261</u>

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	
	2016	2015
	RM	RM
Short term borrowings		
Hire purchase liabilities (secured)	9,313,556	8,736,486
Term loans (secured)	5,215,004	5,564,004
Bank overdrafts (unsecured)	-	2,640,994
Revolving credits (unsecured)	2,800,000	1,800,000
Revolving credits (secured)	3,000,000	3,000,000
Bankers' acceptances (unsecured)	1,703,000	4,092,269
	<u>22,031,560</u>	<u>25,833,753</u>
Long term borrowings		
Hire purchase liabilities (secured)	2,075,528	6,505,229
Term loans (secured)	98,209,849	105,107,809
Non-cumulative redeemable preference shares (unsecured)	15,586,923	14,606,078
	<u>115,872,300</u>	<u>126,219,116</u>
Total borrowings	<u>137,903,860</u>	<u>152,052,869</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 2016.

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 2015. The dividend was approved by the shareholders at the Annual General Meeting held on 23 May 2016. The dividend is payable on 18 August 2016 to shareholders whose names appear in the Record of Depositors on 29 July 2016.

B9. Basic Earnings Per Share

(a) Basic

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

	Current quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit attributable to owners of the Company	3,037,104	6,295,113	3,037,104	6,295,113
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	3.28	6.79	3.28	6.79

(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 2015 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 RM47.9 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)

	Cumulative quarter 3 months ended 31 March	
	2016	2015
	RM	RM
Total retained profits of the Group		
- Realised profits	308,827,635	290,622,250
- Unrealised losses	<u>(19,012,400)</u>	<u>(18,551,057)</u>
	<u>289,815,235</u>	<u>272,071,193</u>
 Total share of accumulated losses from associated companies		
- Realised losses	<u>(13,290,677)</u>	<u>(16,286,804)</u>
 Less: Consolidated adjustments	<u>(30,706,056)</u>	<u>(28,505,559)</u>
 Retained profits as per statement of financial position	<u>245,818,502</u>	<u>227,278,830</u>

By Order of the Board

Cheai Weng Hoong
Company Secretary

Dated : 23 May 2016