

**DKLS INDUSTRIES BERHAD (369472 - P)**

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income  
For the quarter and 3 months ended 31 March 2017 - unaudited**

	Note	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
		2017	2016	2017	2016
		RM	RM	RM	RM
Revenue		58,234,404	54,840,279	58,234,404	54,840,279
Interest income		569,578	580,196	569,578	580,196
Other income		1,898,970	1,164,777	1,898,970	1,164,777
Operating expenses		(46,377,834)	(45,193,918)	(46,377,834)	(45,193,918)
Changes in work-in-progress and finished goods		593,557	1,019,504	593,557	1,019,504
Employee benefit expenses		(6,081,223)	(4,827,897)	(6,081,223)	(4,827,897)
Administrative expenses		(5,137,272)	(4,146,692)	(5,137,272)	(4,146,692)
<b>Profit from operating activities</b>	<b>A8</b>	<b>3,700,180</b>	<b>3,436,249</b>	<b>3,700,180</b>	<b>3,436,249</b>
Interest expense		(1,145,770)	(1,648,978)	(1,145,770)	(1,648,978)
Share of profit of associates, net of tax		-	2,716,199	-	2,716,199
<b>Profit before tax</b>		<b>2,554,410</b>	<b>4,503,470</b>	<b>2,554,410</b>	<b>4,503,470</b>
Income tax expense		(138,098)	(865,971)	(138,098)	(865,971)
<b>Profit for the period, net of tax</b>		<b>2,416,312</b>	<b>3,637,499</b>	<b>2,416,312</b>	<b>3,637,499</b>
<b>Other comprehensive income, net of tax</b>					
Items that will be reclassified to profit or loss in the future:					
Foreign currency translation differences for foreign operations		(493,005)	(554,299)	(493,005)	(554,299)
Gain on fair value changes on available-for-sale investments		25,940	3,441	25,940	3,441
Share of other comprehensive income of associates		-	(4,972,311)	-	(4,972,311)
<b>Other comprehensive income for the period, net of tax</b>		<b>(467,065)</b>	<b>(5,523,169)</b>	<b>(467,065)</b>	<b>(5,523,169)</b>
<b>Total comprehensive income for the period</b>		<b>1,949,247</b>	<b>(1,885,670)</b>	<b>1,949,247</b>	<b>(1,885,670)</b>
<b>Profit for the period attributable to:</b>					
Owners of the Company		2,255,908	3,037,104	2,255,908	3,037,104
Non-controlling interests		160,404	600,395	160,404	600,395
<b>Profit for the period</b>		<b>2,416,312</b>	<b>3,637,499</b>	<b>2,416,312</b>	<b>3,637,499</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		1,936,745	(429,102)	1,936,745	(429,102)
Non-controlling interests		12,502	(1,456,568)	12,502	(1,456,568)
<b>Total comprehensive income for the period</b>		<b>1,949,247</b>	<b>(1,885,670)</b>	<b>1,949,247</b>	<b>(1,885,670)</b>
Basic/Diluted, earnings per ordinary share (sen)		2.43	3.28	2.43	3.28

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2016 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 2017 - unaudited**

	31 March 2017 RM	31 December 2016 RM
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	141,843,951	140,582,530
Land held for property development	126,032,793	125,984,915
Investment properties	123,965,000	123,965,000
Available-for-sale investments	51,335	40,952
Quarry extraction exclusive right	245,460	267,776
Trade receivables	7,203,765	9,134,949
Deferred tax assets	2,235,444	1,931,427
<b>Total non-current assets</b>	<u>401,577,748</u>	<u>401,907,549</u>
<b>Current Assets</b>		
Property development costs	16,587,669	19,483,040
Inventories	60,284,562	59,579,461
Trade and other receivables	63,981,799	83,450,055
Other current assets	24,038,830	19,376,296
Available-for-sale investments	30,037,358	16,263,632
Tax recoverable	898,521	1,861,740
Cash and cash equivalents	52,810,196	50,293,934
<b>Total current assets</b>	<u>248,638,935</u>	<u>250,308,158</u>
<b>TOTAL ASSETS</b>	<u>650,216,683</u>	<u>652,215,707</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	293,149,553	290,893,645
Reserves	2,210,672	2,529,835
<b>Total equity attributable to owners of the Company</b>	<u>396,817,421</u>	<u>394,880,676</u>
<b>Non-controlling interests</b>	<u>9,726,964</u>	<u>9,714,462</u>
<b>Total equity</b>	<u>406,544,385</u>	<u>404,595,138</u>
<b>Non-Current Liabilities</b>		
Loans and borrowings	76,726,944	78,535,996
Other payables	7,074,511	7,246,508
Deferred tax liabilities	2,360,950	2,457,340
<b>Total non-current liabilities</b>	<u>86,162,405</u>	<u>88,239,844</u>
<b>Current Liabilities</b>		
Loans and borrowings	20,968,356	25,453,083
Trade and other payables	100,464,394	101,393,256
Other current liabilities	35,373,424	31,675,551
Tax payable	703,719	858,835
<b>Total current liabilities</b>	<u>157,509,893</u>	<u>159,380,725</u>
<b>Total liabilities</b>	<u>243,672,298</u>	<u>247,620,569</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>650,216,683</u>	<u>652,215,707</u>
Net assets per share attributable to owners of the Company (RM)	<u>4.28</u>	<u>4.26</u>

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2016 and the accompanying notes attached to the Interim Financial Statements.*

**Condensed Consolidated Statement of Changes in Equity  
For 3 months ended 31 March 2017 - unaudited**

	Attributable to owners of the Company		Distributable				Non- controlling Interests RM	Total Equity RM	
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Fair value adjustment reserve RM	Retained profits RM			Total RM
<b>3 months ended 31 March 2017</b>									
<b>Balance at 1 January 2017</b>	92,699,600	8,757,596	1,364,574	1,157,522	7,739	290,893,645	394,880,676	9,714,462	404,595,138
Total comprehensive income for the period	-	-	(345,103)	-	25,940	2,255,908	1,936,745	12,502	1,949,247
<b>Balance at 31 March 2017</b>	92,699,600	8,757,596	1,019,471	1,157,522	33,679	293,149,553	396,817,421	9,726,964	406,544,385
<b>3 months ended 31 March 2016</b>									
<b>Balance at 1 January 2016</b>	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)
<b>Balance at 31 March 2016</b>	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

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2016 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 2017 - unaudited**

	3 months ended 31 March	
	2017 RM	2016 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation :	2,554,410	4,503,470
Adjustments for :-		
Amortisation of quarry extraction exclusive right	22,316	22,315
Bad debts written off	-	300
Depreciation	3,189,630	2,183,821
Dividend income from available-for-sale investments	(201,349)	(33,242)
Gain on disposal of available-for-sale investments	(12,595)	(1,472)
Gain on disposal of property, plant and equipment, net	(152,571)	(289,997)
Interest expense	1,176,820	1,761,714
Interest income	(576,576)	(580,196)
Property, plant and equipment written off	324,462	-
Write back of impairment loss on trade and other receivables	(10,592)	-
Share of profit of associates	-	(2,716,199)
Unrealised loss on foreign exchange	687,501	1,537,622
Operating profit before changes in working capital	<u>7,001,456</u>	<u>6,388,136</u>
Changes in working capital:-		
Net changes in current assets	18,506,146	1,681,353
Net changes in current liabilities	6,211,012	(8,918,510)
Cash flows from/(used in) operations	<u>31,718,614</u>	<u>(849,021)</u>
Interest paid	(73,894)	(53,529)
Interest received	486,237	285,078
Taxes paid	276,163	(1,943,092)
Net cash flows from/(used in) operating activities	<u>32,407,120</u>	<u>(2,560,564)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	45,757	284,437
Land held for property development	(47,878)	(718,936)
Net dividend received from available-for-sale investments	201,349	33,242
Proceeds from disposal of:		
- available-for-sale investments	16,984,479	8,333,246
- property, plant and equipment	489,189	290,000
Purchase of:		
- available-for-sale investments	(30,730,052)	(9,508,529)
- property, plant and equipment	(5,976,564)	(1,957,903)
(Placement)/Withdrawal of deposits with maturity period more than 3 months	(647,573)	8,840,324
Net cash flows (used in)/from investing activities	<u>(19,681,293)</u>	<u>5,595,881</u>

**DKLS INDUSTRIES BERHAD (369472 - P)**

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)  
For the 3 months ended 31 March 2017 - unaudited**

	3 months ended 31 March	
	2017 RM	2016 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(1,102,926)	(1,450,789)
Repayment of term loan	(4,329,891)	(2,162,149)
Repayment of hire purchase liabilities	(2,402,732)	(2,987,359)
Net cash flows used in financing activities	<u>(7,835,549)</u>	<u>(6,600,297)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	4,890,278	(3,564,980)
<b>Effects of exchange rate differences</b>	206,048	(1,308,748)
<b>Cash and cash equivalents at beginning of the period</b>	<u>35,122,343</u>	<u>63,249,267</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>40,218,669</u></u>	<u><u>58,375,539</u></u>

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

Cash and bank balances	13,027,929	13,749,121
Deposits with licensed banks	39,782,267	45,387,088
Bank overdrafts	(1,970,748)	-
	<u>50,839,448</u>	<u>59,136,209</u>
Less:		
Deposits with maturity period more than 3 months	(10,620,779)	(760,670)
	<u><u>40,218,669</u></u>	<u><u>58,375,539</u></u>

*The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2016 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 2016. 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 2016.

**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 2016 except as follows:

On 1 January 2017, the Group adopted the following applicable amended FRSs mandatory for annual financial periods beginning on or after 1 January 2017.

FRS 107 : Disclosures Initiatives (Amendments to FRS 107)

FRS 112 : Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)

Annual Improvements to FRSs 2014 - 2016 Cycle (Amendments to FRS 12 : Disclosure of Interests in Other Entities)

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 2017 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**

	Curret quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM	RM	RM	RM
The following items have been included in arriving at profit from operating activities:				
Amortisation of quarry extraction exclusive rights	22,316	22,315	22,316	22,315
Bad debts written off	-	300	-	300
Total depreciation	3,189,630	2,183,821	3,189,630	2,183,821
Depreciation capitalised under construction costs	(471,446)	(1,047,188)	(471,446)	(1,047,188)
Depreciation charged to profit from operating activities	2,718,184	1,136,633	2,718,184	1,136,633
Dividend income from available-for-sale investments	(201,349)	(33,242)	(201,349)	(33,242)
Gain on disposal of :				
- available-for-sale investments	(12,595)	(1,472)	(12,595)	(1,472)
- property, plant and equipment, net	(152,571)	(289,997)	(152,571)	(289,997)
Loss/(gain) on foreign exchange :				
- realised	(43,336)	-	(43,336)	-
- unrealised	687,501	1,537,622	687,501	1,537,622
Property, plant and equipment written off	324,462	-	324,462	-
Write back of impairment loss on trade and other receivables	(10,592)	-	(10,592)	-
Inventories written off	N/A	N/A	N/A	N/A
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.

	Investment RM	Construction RM	Manufacturing RM	Property development RM	Utilities RM	Others RM	Total RM
<b>Current quarter 3 months ended 31 March 2017</b>							
<b>Revenue</b>							
Total revenue	1,828,551	36,766,676	13,127,539	4,066,425	3,105,562	1,492,709	60,387,462
Inter-segment sales	126,145	1,550,886	57,978	-	-	418,049	2,153,058
External sales	1,702,406	35,215,790	13,069,561	4,066,425	3,105,562	1,074,660	58,234,404
<b>Results</b>							
Segment results	688,214	2,178,091	398,721	(167,631)	509,394	93,391	3,700,180
Interest expense	(731,796)	(75,783)	(16,351)	(291,707)	(30,133)	-	(1,145,770)
(Loss)/Profit before taxation	(43,582)	2,102,308	382,370	(459,338)	479,261	93,391	2,554,410
Income tax expense	34,960	56,773	(180,007)	105,763	(135,144)	(20,443)	(138,098)
Profit for the period							2,416,312
<b>Total Assets</b>							
Segment assets	150,607,180	128,429,394	70,204,836	194,726,969	66,397,561	6,628,085	616,994,025
Unallocated corporate assets							33,222,658
Total assets							650,216,683
<b>Current quarter 3 months ended 31 March 2016</b>							
<b>Revenue</b>							
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	1,683,944	30,841,619	10,353,547	10,397,985	-	1,563,184	54,840,279
<b>Results</b>							
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 result of associates	2,716,199	-	-	-	-	-	2,716,199
Profit before taxation	1,083,197	1,065,628	1,569,534	747,009	-	38,102	4,503,470
Income tax expense	60,046	(313,831)	(386,478)	(222,482)	-	(3,226)	(865,971)
Profit for the period							3,637,499
<b>Total Assets</b>							
Segment assets	158,406,848	125,113,518	62,385,224	187,351,804	-	6,340,344	539,597,738
Interests in associates	70,761,485	-	-	-	-	-	70,761,485
Unallocated corporate assets							21,781,051
Total assets							632,140,274

**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	2017 RM	As at 31 March 2016 RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	161,990,898	192,388,719
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	1,252,964	839,823
	163,243,862	193,228,542

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 2016.

**A13. Related Party Disclosures**

Significant related party transactions are as follows:

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31 March		31 March	
	2017	2016	2017	2016
	RM	RM	RM	RM
Architect fees payable to Arkitek Ding Poi Kooi	-	(241,330)	-	(241,330)
Hire of motor vehicles to Savan-DKLS Water Supply Co Ltd	-	33,113	-	33,113
Purchase of consumables from DKLS Service Station	(2,491)	(16,052)	(2,491)	(16,052)
Rental of building paid to: Ding Poi Bor	-	(15,000)	-	(15,000)
Ipoh Tower Sdn Bhd	(13,200)	(13,200)	(13,200)	(13,200)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(6,600)	(6,950)	(6,600)	(6,950)
Supply of electricity by Ipoh Tower Sdn Bhd	(23,984)	(21,919)	(23,984)	(21,919)

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 2017 RM
Approved and contracted for: Property, plant and equipment	<u>6,689,687</u>

**A15. Operating lease commitments - as lessor**

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

	As at 31 March 2017 RM
Not later than 1 year	4,795,971
Later than 1 year but not later than 5 years	<u>1,155,578</u>
	<u>5,951,549</u>

**B. Additional information required by BMSB's Listing Requirements**

**B1. Operating Segment Review**

**Review of Performance for 1Q17 vs 1Q16**

The Group recorded a revenue of RM58.23 million for the first quarter ended 31 March 2017 (1Q17), an increase of RM3.39 million (or 6%), as compared to the revenue of RM54.84 million for the previous corresponding quarter ended 31 March 2016 (1Q16). The pre-tax profit for 1Q17 of RM2.55 million decreased by RM1.95 million (or 43%) as compared to pre-tax profit of RM4.50 million for 1Q16. The higher revenue and lower pre-tax profit of the Group can be analysed as below:-

<b>1Q17 vs 1Q16</b>	<b>Revenue</b>	<b>Pre-tax profit</b>
Increase/(Decrease)	RM'000	RM'000
Investment	18	(1,127)
Construction	4,374	1,037
Manufacturing	2,716	(1,187)
Property development	(6,331)	(1,206)
Utilities	3,106	479
Others	(489)	55
	<u>3,394</u>	<u>(1,949)</u>

**Investment**

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

The investment segment has recorded a consistent revenue of RM1.7 million for the current quarter and the previous corresponding quarter.

Despite a consistent revenue, the investment segment registered a marginal pre-tax loss of RM0.44 million as compared to the pre-tax profit of RM1.08 million in the previous corresponding quarter. The pre-tax profit recorded in the previous corresponding quarter was mainly contributed from share of profits in associated companies of RM2.72 million (1Q17 : RMNil) which was partially offset by the loss on foreign exchange of RM1.34 million (1Q17 : RM0.34 million).

**Construction**

For the current quarter under review, the construction segment recorded a higher pre-tax profit of RM2.10 million (1Q16 : RM1.07 million) on the back of higher revenue of RM35.22 million (1Q16 : RM30.84 million).

The construction segment achieved a higher revenue mainly arisen from sale of inventories (represented land received from main contractor as in-kind payment) amounted to RM8.97 million (1Q16 : RMNil) which yielded a higher profit margin as compared to the on-going construction projects.

**Manufacturing**

Despite the higher revenue achieved for the current quarter of RM13.07 million (1Q16 : RM10.35 million), the manufacturing segment has recorded a lower pre-tax profit of RM0.38 million (1Q16 : RM1.57 million) as compared to the previous corresponding quarter. The overall margin for manufacturing segment was affected by the price fluctuation in bitumen (the major raw material component of its premix products) which could not be passed on to the customers due to the competitive environment. Also included in the previous corresponding quarter's result was a gain on disposal of property, plant and equipment of RM0.29 million (1Q17 : RM0.01 million).

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

**B1. Operating Segment Review (cont'd.)**

**Property Development**

The general weak sentiments in the property market which induce a softer demand as buyers continued to adopt a 'wait and see' attitude in anticipation of lower selling prices. This has affected the property development segment to record a lower turnover of RM4.07 million in the current quarter as compared to RM10.40 million in the previous corresponding quarter.

On the back of lower turnover and consistent overhead costs, the property development segment has recorded a pre-tax loss of RM0.46 million in the current quarter as compared to the pre-tax profit of RM0.75 million recorded in the previous corresponding quarter.

**Utilities**

The revenue of utilities segment is derived from supply of treated water and related services to consumers.

The result of this segment was contributed by a company which became a subsidiary of the Company in 4Q16. The results of this company was accounted for as share of profit from associate in the previous corresponding quarter.

**Others**

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

This segment recorded a higher pre-tax profit of RM0.09 million as compared to pre-tax profit of RM0.04 million in the previous corresponding quarter despite a lower turnover of RM1.08 million (1Q16 : RM1.56 million). The higher profit recorded in the current quarter was mainly due to higher overseas sales achieved which generally yielded higher margin as compared to local sales.

**B2. Variance of Results Against Preceding Quarter**

The revenue for 1Q17 of RM58.23 million decreased by RM6.31 million (9.8%) as compared to the revenue of RM64.54 million registered in the immediate preceding quarter ("4Q16"). The Group recorded a lower pre-tax profit of RM2.55 million for 1Q17 as compared to the pre-tax profit of RM39.00 million for 4Q16. The exceptional high pre-tax profit in the preceding quarter was mainly due to the substantial gain on remeasurement to fair value of existing shares in an associate of RM14.90 million arisen from acquisition of remaining shares in the associate, a gain on disposal of investment in a subsidiary of RM14.20 million, fair value adjustment on investment properties of RM4.29 million and unrealised gain on foreign exchange of RM3.27 million (1Q17 : unrealised loss of RM0.1 million). These impacts were partially offset by the provision of impairment loss on intangible asset of RM7.11 million in 4Q16.

**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	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	538,503	886,555	538,503	886,555
Deferred income tax:				
Relating to origination and reversal of temporary differences	(400,405)	(14,305)	(400,405)	(14,305)
Over provision in prior years	-	(6,279)	-	(6,279)
	<u>(400,405)</u>	<u>(20,584)</u>	<u>(400,405)</u>	<u>(20,584)</u>
Income tax expense	<u>138,098</u>	<u>865,971</u>	<u>138,098</u>	<u>865,971</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	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit before taxation	<u>2,554,410</u>	<u>4,503,470</u>	<u>2,554,410</u>	<u>4,503,470</u>
Taxation at applicable tax rates	613,058	1,080,833	613,058	1,080,833
Income not subject to tax	(688,783)	(199,011)	(688,783)	(199,011)
Expenses not deductible for tax purposes	313,941	18,949	313,941	18,949
Difference in tax rate	(27,030)	-	(27,030)	-
Deferred tax assets not recognised	2,687	870	2,687	870
Utilisation of previously unrecognised deferred tax assets	(75,775)	(29,391)	(75,775)	(29,391)
Under provision of deferred tax in prior years	-	(6,279)	-	(6,279)
Income tax expense	<u>138,098</u>	<u>865,971</u>	<u>138,098</u>	<u>865,971</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	
	2017	2016
	RM	RM
<b>Short term borrowings</b>		
Hire purchase liabilities (secured)	3,282,565	9,313,556
Term loans (secured)	8,104,043	5,215,004
Bank overdrafts (unsecured)	45,126	-
Bank overdrafts (secured)	1,925,622	-
Revolving credits (unsecured)	3,300,000	2,800,000
Revolving credits (secured)	3,000,000	3,000,000
Bankers' acceptances (unsecured)	1,311,000	1,703,000
	<u>20,968,356</u>	<u>22,031,560</u>
<b>Long term borrowings</b>		
Hire purchase liabilities (secured)	2,906,911	2,075,528
Term loans (secured)	73,820,033	98,209,849
Non-cumulative redeemable preference shares (unsecured)	-	15,586,923
	<u>76,726,944</u>	<u>115,872,300</u>
<b>Total borrowings</b>	<u>97,695,300</u>	<u>137,903,860</u>

Loan and borrowings are denominated in the following currencies:

	As at 31 March	
	2017	2016
	RM	RM
Ringgit Malaysia	95,769,678	137,903,860
Lao Kip	1,925,622	-
	<u>97,695,300</u>	<u>137,903,860</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 2017.

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 2016. The dividend was approved by the shareholders at the Annual General Meeting held on 26 May 2017. The dividend is payable on 18 August 2017 to shareholders whose names appear in the Record of Depositors on 31 July 2017.

**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	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit attributable to owners of the Company	2,255,908	3,037,104	2,255,908	3,037,104
Weighted average number of ordinary shares in issue	92,699,600	92,699,600	92,699,600	92,699,600
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Basic earnings per share	2.43	3.28	2.43	3.28

**(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 2016 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 RM46.3 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)**

	<b>Cumulative quarter 3 months ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Total retained profits of the Group		
- Realised profits	332,601,892	308,827,635
- Unrealised losses	(967,220)	(19,012,400)
	<u>331,634,672</u>	<u>289,815,235</u>
 Total share of accumulated losses from associated companies		
- Realised losses	<u>(7,600,000)</u>	<u>(13,290,677)</u>
 Less: Consolidated adjustments	<u>(30,885,119)</u>	<u>(30,706,056)</u>
 Retained profits as per statement of financial position	<u>293,149,553</u>	<u>245,818,502</u>

Dated : 26 May 2017