

DKLS INDUSTRIES BERHAD (369472 - P)

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Comprehensive Income
For the quarter and 9 months ended 30 September 2017 - unaudited**

	Note	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
		2017	2016	2017	2016
		RM	RM	RM	RM
Revenue		52,521,097	72,883,652	157,505,456	181,637,590
Interest income		242,287	314,171	1,242,900	1,220,109
Other income		2,968,873	2,139,317	6,882,199	5,025,052
Operating expenses		(42,746,062)	(59,485,562)	(123,037,103)	(146,315,786)
Changes in work-in-progress and finished goods		503,766	227,739	1,145,492	1,284,443
Employee benefit expenses		(3,236,445)	(2,636,554)	(12,562,912)	(10,115,214)
Administrative expenses		(5,219,484)	(3,060,509)	(17,942,677)	(10,526,378)
Profit from operating activities	A8	5,034,032	10,382,254	13,233,355	22,209,816
Interest expense		(1,119,738)	(1,603,932)	(3,442,191)	(4,952,990)
Share of profit of associates, net of tax		-	1,833,663	-	792,632
Profit before tax		3,914,294	10,611,985	9,791,164	18,049,458
Income tax expense		(966,619)	(1,987,614)	(2,265,147)	(4,361,673)
Profit for the period, net of tax		2,947,675	8,624,371	7,526,017	13,687,785
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(729,226)	184,940	(2,318,718)	(219,244)
(Loss)/Gain on fair value changes on available-for-sale investments		(8,822)	12,526	25,840	16,068
Share of other comprehensive income of associates		-	1,509,691	-	(3,315,146)
Other comprehensive income for the period, net of tax		(738,048)	1,707,157	(2,292,878)	(3,518,322)
Total comprehensive income for the period		2,209,627	10,331,528	5,233,139	10,169,463
Profit for the period attributable to:					
Owners of the Company		2,707,873	7,849,094	6,844,421	14,465,807
Non-controlling interests		239,802	775,277	681,596	(778,022)
Profit for the period		2,947,675	8,624,371	7,526,017	13,687,785
Total comprehensive income attributable to:					
Owners of the Company		2,188,592	8,936,238	5,247,158	12,432,958
Non-controlling interests		21,035	1,395,290	(14,019)	(2,263,495)
Total comprehensive income for the period		2,209,627	10,331,528	5,233,139	10,169,463
Basic/Diluted, earnings per ordinary share (sen)		2.92	8.47	7.38	15.61

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 30 September 2017 - unaudited**

	30 September 2017	31 December 2016
	RM	RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	138,931,418	140,582,530
Land held for property development	126,172,175	125,984,915
Investment properties	123,036,812	123,965,000
Available-for-sale investments	44,673	40,952
Quarry extraction exclusive right	200,831	267,776
Trade and other receivables	7,226,622	9,134,949
Deferred tax assets	2,566,628	1,931,427
Total non-current assets	<u>398,179,159</u>	<u>401,907,549</u>
Current Assets		
Property development costs	17,270,874	19,483,040
Inventories	59,068,819	59,579,461
Trade and other receivables	54,695,334	83,450,055
Other current assets	27,327,264	19,376,296
Available-for-sale investments	38,978,855	16,263,632
Tax recoverable	1,220,177	1,861,740
Cash and cash equivalents	39,515,743	50,293,934
Total current assets	<u>238,077,066</u>	<u>250,308,158</u>
TOTAL ASSETS	<u>636,256,225</u>	<u>652,215,707</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	92,699,600	92,699,600
Share premium	8,757,596	8,757,596
Retained profits	294,957,078	290,893,645
Reserves	932,572	2,529,835
Total equity attributable to owners of the Company	<u>397,346,846</u>	<u>394,880,676</u>
Non-controlling interests	<u>9,700,443</u>	<u>9,714,462</u>
Total equity	<u>407,047,289</u>	<u>404,595,138</u>
Non-Current Liabilities		
Loans and borrowings	67,691,567	78,535,996
Other payables	6,646,232	7,246,508
Deferred tax liabilities	2,495,964	2,457,340
Total non-current liabilities	<u>76,833,763</u>	<u>88,239,844</u>
Current Liabilities		
Loans and borrowings	20,598,208	25,453,083
Trade and other payables	95,236,780	101,393,256
Other current liabilities	35,889,132	31,675,551
Tax payable	651,053	858,835
Total current liabilities	<u>152,375,173</u>	<u>159,380,725</u>
Total liabilities	<u>229,208,936</u>	<u>247,620,569</u>
TOTAL EQUITY AND LIABILITIES	<u>636,256,225</u>	<u>652,215,707</u>
Net assets per share attributable to owners of the Company (RM)	<u>4.29</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.

DKLS INDUSTRIES BERHAD (369472 - P)

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**Condensed Consolidated Statement of Changes in Equity
For 9 months ended 30 September 2017 - unaudited**

	←		Attributable to owners of the Company				→		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	Non- controlling Interests RM		
9 months ended 30 September 2017									
Balance at 1 January 2017	92,699,600	8,757,596	1,364,574	1,157,522	7,739	290,893,645	9,714,462	404,595,138	
Total comprehensive income for the period	-	-	(1,623,103)	-	25,840	6,844,421	(14,019)	5,233,139	
Transactions with owners: Dividend on ordinary shares	-	-	-	-	-	(2,780,988)	-	(2,780,988)	
Balance at 30 September 2017	92,699,600	8,757,596	(258,529)	1,157,522	33,579	294,957,078	9,700,443	407,047,289	
9 months ended 30 September 2016									
Balance at 1 January 2016	92,699,600	8,757,596	12,161,042	1,157,522	32,907	242,781,398	11,328,046	368,918,111	
Total comprehensive income for the period	-	-	(2,046,457)	-	13,608	14,465,807	(2,263,495)	10,169,463	
Transactions with owners: Dividend on ordinary shares	-	-	-	-	-	(2,780,988)	-	(2,780,988)	
Balance at 30 September 2016	92,699,600	8,757,596	10,114,585	1,157,522	46,515	254,466,217	9,064,551	376,306,586	

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 9 months ended 30 September 2017 - unaudited**

	Cumulative Quarter 9 months ended 30 September	
	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation:	9,791,164	18,049,458
Adjustments for:-		
Amortisation of quarry extraction exclusive right	66,945	66,945
Bad debts (written back)/written off	(16,487)	366
Depreciation	9,265,863	6,756,320
Dividend income from available-for-sale investments	(679,820)	(431,702)
Gain on disposal of:		
- available-for-sale investments	(51,845)	(32,395)
- investment in a subsidiary	(16,535)	-
- investment properties	(238,922)	-
- property, plant and equipment, net	(524,025)	(428,466)
Interest expense	3,521,514	5,319,083
Interest income	(1,242,900)	(1,220,109)
Inventories written off	223,403	-
Provision for impairment loss on:		
- property, plant and equipment	-	3,480
- trade and other receivables	75,913	-
Property, plant and equipment written off	332,298	51,165
Share of gain of associates	-	(792,632)
Unrealised loss on foreign exchange	3,058,624	169,375
Operating profit before changes in working capital	<u>23,565,190</u>	<u>27,510,888</u>
Changes in working capital:-		
Net changes in current assets	23,008,819	(7,866,345)
Net changes in current liabilities	393,352	3,607,736
Cash flows from operations	<u>46,967,361</u>	<u>23,252,279</u>
Interest paid	(325,713)	(263,882)
Interest received	662,293	570,261
Taxes paid	(2,390,519)	(5,361,509)
Net cash flows from operating activities	<u>44,913,422</u>	<u>18,197,149</u>

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**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 9 months ended 30 September 2017 - unaudited**

	Cumulative Quarter 9 months ended 30 September	
	2017 RM	2016 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance to associates	-	6,577,239
Interest received	546,321	617,805
Land held for property development	(187,260)	(1,559,563)
Net dividend received from available-for-sale investments	679,820	439,287
Placement of deposits with maturity period more than 3 months	(1,339,185)	(8,907,889)
Proceeds from disposal of:		
- available-for-sale investments	65,436,910	31,776,274
- investment in a subsidiary	10	-
- investment properties	1,173,210	-
- property, plant and equipment	1,607,450	455,321
Purchase of:		
- available-for-sale investments	(88,078,169)	(30,119,222)
- investment properties	(6,100)	-
- property, plant and equipment	(10,420,056)	(4,779,976)
Withdrawal of deposits with maturity period more than 3 months	186,125	9,033,271
Net cash flows (used in)/from investing activities	<u>(30,400,924)</u>	<u>3,532,547</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,780,988)	(2,780,988)
Interest paid	(3,195,802)	(4,283,014)
Repayment of term loan	(13,958,931)	(17,920,342)
Repayment of hire purchase liabilities	(4,952,756)	(8,983,695)
Net cash flows used in financing activities	<u>(24,888,477)</u>	<u>(33,968,039)</u>
Net decrease in cash and cash equivalents	(10,375,979)	(12,238,343)
Effects of exchange rate differences	1,312,572	156,397
Cash and cash equivalents at beginning of the period	35,122,343	63,249,267
Cash and cash equivalents at end of the period	<u>26,058,936</u>	<u>51,167,321</u>

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**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 9 months ended 30 September 2017 - unaudited**

	Cumulative Quarter 9 months ended 30 September	
	2017	2016
	RM	RM
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:		
Cash and bank balances	10,458,411	30,548,185
Deposits with licensed banks	29,057,332	29,857,034
Bank overdrafts	<u>(2,802,907)</u>	<u>-</u>
	36,712,836	60,405,219
Less:		
Deposits with maturity period more than 3 months	<u>(10,653,899)</u>	<u>(9,237,898)</u>
	<u>26,058,937</u>	<u>51,167,321</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.

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.

A2. Significant Accounting Policies (cont'd.)

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

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.

As at the date of this interim report, the Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the period ended 30 September 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 financial year to date.

A5. Changes in Estimates

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

A6. Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities, share buy-back and share held as treasury shares during the financial year to date.

A7. Dividend Paid

The first and final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2016, which was approved at the Annual General Meeting on 26 May 2017, was paid on 18 August 2017 to shareholders whose names appear in the Record of Depositors on 31 July 2017.

A8. Profit from operating activities

	Individual Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 September		9 months ended	
	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 right	22,316	22,315	66,945	66,945
Bad debts (written back)/written off	(16,487)	66	(16,487)	366
Total depreciation	3,040,371	2,293,105	9,265,863	6,756,320
Depreciation capitalised under construction costs	(387,276)	(252,266)	(1,270,549)	(1,848,285)
Depreciation charged to profit from operating activities	2,653,095	2,040,839	7,995,314	4,908,035
Dividend income from available-for-sale investments	(239,819)	(381,491)	(679,820)	(431,702)
Gain on disposal of :				
- available-for-sale investments	(23,905)	(30,028)	(51,845)	(32,395)
- investment in a subsidiary	(16,535)	-	(16,535)	-
- investment properties	-	-	(238,922)	-
- property, plant and equipment, net	(248,629)	(28,470)	(524,025)	(428,466)
(Gain)/loss on foreign exchange				
- realised	63,507	8,446	118,404	470,059
- unrealised	914,776	(734,918)	3,058,624	169,375
Property, plant and equipment written off	7,836	51,165	332,298	51,165
Provision for impairment loss on :				
- property, plant and equipment, net	-	3,480	-	3,480
- trade and other receivables	84,616	-	75,913	-
Inventories written off	223,403	-	223,403	-
Gain on derivatives	N/A	N/A	N/A	N/A

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A9. Segmental reporting

Business Segments

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

Individual Quarter 3 months ended 30 September 2017	Investment RM	Construction RM	Manufacturing RM	Property			Others RM	Total RM
				development RM	Utilities RM	Others RM		
Revenue								
Total revenue	8,743,276	29,320,606	13,819,153	6,464,843	3,067,927	1,671,807	63,087,612	
Infer-segment sales	7,126,145	2,733,498	220,221	-	202	486,449	10,566,515	
External sales	1,617,131	26,587,108	13,598,932	6,464,843	3,067,725	1,185,358	52,521,097	
Results								
Segment results	807,822	402,109	1,082,951	1,787,120	759,440	194,590	5,034,032	
Interest expense	(744,063)	(60,600)	(33,061)	(244,188)	(37,826)	-	(1,119,738)	
Profit before tax	63,759	341,509	1,049,890	1,542,932	721,614	194,590	3,914,294	
Income tax expense	(25,750)	89,768	(340,119)	(461,033)	(200,589)	(28,896)	(966,619)	
Profit for the period							<u>2,947,675</u>	
Total Assets								
Segment assets	(5,603,646)	(3,739,704)	158,083	(7,152,548)	(151,881)	1,185,335	(15,304,361)	
Unallocated corporate assets							14,275,340	
Total assets							<u>(1,029,021)</u>	
Segment liabilities	(1,579,557)	4,440,523	(512,729)	(3,382,901)	568,308	76,284	(390,072)	
Unallocated corporate liabilities							(67,588)	
Total liabilities							<u>(457,660)</u>	

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Individual Quarter 3 months ended 30 September 2016	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	2,731,463	46,146,685	17,507,946	8,483,706	3,204,525	78,074,325
Inter-segment sales	1,126,145	3,822,918	22,140	-	219,470	5,190,673
External sales	1,605,318	42,323,767	17,485,806	8,483,706	2,985,055	72,883,652
Results						
Segment results	1,951,677	1,243,883	3,392,760	3,560,176	233,758	10,382,254
Interest expense	(1,083,362)	(151,207)	(19,681)	(349,333)	(349)	(1,603,932)
Group's share of result of associates	1,833,663	-	-	-	-	1,833,663
Profit before tax	2,701,978	1,092,676	3,373,079	3,210,843	233,409	10,611,985
Income tax expense	32,665	(376,426)	(815,921)	(775,028)	(52,904)	(1,987,614)
Profit for the period						<u>8,624,371</u>
Total Assets						
Segment assets	6,965,229	(1,387,314)	952,651	3,375,969	510,736	10,417,271
Interests in associates	(3,050,028)	-	-	-	-	(3,050,028)
Unallocated corporate assets						<u>(11,854,941)</u>
Total assets						<u>(4,487,698)</u>
Segment liabilities	(1,021,856)	(4,984,357)	(892,455)	(4,790,794)	235,343	(11,454,119)
Unallocated corporate liabilities						<u>(584,119)</u>
Total liabilities						<u>(12,038,238)</u>

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Cumulative Quarter 9 months ended 30 September 2017	Investment RM	Construction RM	Manufacturing RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	14,384,481	86,854,127	44,297,441	16,111,398	9,529,216	5,398,682	176,575,345
Inter-segment sales	9,378,434	6,936,246	726,994	-	1,100	2,027,115	19,069,889
External sales	5,006,047	79,917,881	43,570,447	16,111,398	9,528,116	3,371,567	157,505,456
Results							
Segment results	2,805,798	2,100,323	3,849,202	2,133,327	1,831,757	512,948	13,233,355
Interest expense	(2,225,646)	(223,482)	(79,540)	(817,527)	(95,500)	(496)	(3,442,191)
Profit before tax	580,152	1,876,841	3,769,662	1,315,800	1,736,257	512,452	9,791,164
Income tax expense	(83,382)	146,620	(1,153,272)	(502,650)	(571,250)	(101,213)	(2,265,147)
Profit for the period							<u>7,526,017</u>
Total Assets							
Segment assets	142,673,152	115,657,053	71,944,600	190,132,623	65,882,787	7,155,677	593,445,892
Unallocated corporate assets							<u>42,810,333</u>
Total assets							<u>636,256,225</u>
Segment liabilities	60,843,313	71,012,229	7,946,910	75,114,671	10,538,102	606,694	226,061,919
Unallocated corporate liabilities							<u>3,147,017</u>
Total liabilities							<u>229,208,936</u>

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A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Cumulative Quarter 9 months ended 30 September 2016	Investment RM	Construction RM	Manufacturing RM	Property development RM	Others RM	Total RM
Revenue						
Total revenue	11,288,131	110,114,708	45,191,252	27,187,194	8,284,903	202,066,188
Inter-segment sales	6,321,089	13,209,126	152,066	-	746,317	20,428,598
External sales	4,967,042	96,905,582	45,039,186	27,187,194	7,538,586	181,637,590
Results						
Segment results	2,711,115	3,842,611	8,810,783	6,309,791	535,516	22,209,816
Interest expense	(3,284,961)	(354,540)	(84,885)	(1,227,323)	(1,281)	(4,952,990)
Group's share of result of associates	792,632	-	-	-	-	792,632
Profit before tax	218,786	3,488,071	8,725,898	5,082,468	534,235	18,049,458
Income tax expense	96,514	(987,863)	(2,113,974)	(1,296,053)	(60,297)	(4,361,673)
Profit for the period						<u>13,687,785</u>
Total Assets						
Segment assets	151,052,981	138,859,516	65,377,834	190,286,215	7,595,445	553,171,991
Interests in associates	64,251,859	-	-	-	-	64,251,859
Unallocated corporate assets						<u>18,715,475</u>
Total assets						<u>636,139,325</u>
Segment liabilities	82,266,802	75,854,344	7,620,961	84,683,703	1,703,369	252,129,179
Unallocated corporate liabilities						<u>7,703,560</u>
Total liabilities						<u>259,832,739</u>

A10. Material Subsequent Events

There were no material events after the interim period that have not been reflected in the interim financial statements for the financial year to date.

A11. Changes in Composition of the Group

There are no changes in the composition of the Group for the financial year to date except as follows:

- (a) On 5 June 2017, the Company acquired the entire equity interest in DKLS Quarry & Premix (North) Sdn Bhd ("DQPN") comprising one ordinary share for a cash consideration of RM1.00 ("Acquisition"). Upon the completion of the Acquisition, DQPN became a wholly owned subsidiary of the Company.
- (b) On 28 August 2017, the Company disposed of its entire equity interest in DKLS Lakeview Sdn Bhd ("DLSB") comprising 10 ordinary share for a cash consideration of RM10 ("Disposal") realising a gain of RM16,535 and RM10 to the Group and to the Company respectively. Upon the completion of the Disposal, DLSB ceased to be a subsidiary of the Company.

A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities

	As at 30 September	
	2017	2016
	RM	RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	141,862,689	170,496,736
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	1,222,051	1,224,931
	143,084,740	171,721,667

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:

	Individual Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 September		9 months ended	
	2017	2016	2017	2016
	RM	RM	RM	RM
Architect fees accrued to Arkitek				
Ding Poi Kooi	-	-	(498,995)	(241,330)
Hire of motor vehicles/machinery from				
Savan-DKLS Water Supply Co Ltd	-	13,500	-	60,113
Progress billings to:				
Ding Ju Shuen	69,640	-	69,640	-
Ding Poi Kooi	219,330	-	1,023,540	-
Ding Zhe Lin	69,640	-	69,640	-
Purchase of consumables				
from DKLS Service Station	(1,527)	(6,726)	(6,929)	(35,284)
Rental of building paid to:				
Ding Poi Bor	-	(15,000)	-	(45,000)
Ipoh Tower Sdn Bhd	(13,200)	(13,200)	(39,600)	(39,600)
Rental of car park paid to				
Aplikasi Budimas Sdn Bhd	(5,400)	(7,100)	(17,500)	(21,210)
Sale of materials to:				
Savan-DKLS Water Supply Co Ltd	-	159,251	-	159,251
Total Resilience Sdn Bhd	429,076	-	676,099	-
Supply of electricity by				
Ipoh Tower Sdn Bhd	(19,230)	(20,229)	(62,287)	(64,088)

The Directors are of the opinion that all related party transactions have been entered into in the ordinary course of business at arm's length basis on normal commercial terms.

There were no transactions with key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment.

A14. Capital Commitments

As at
30 September 2017
RM

Approved and contracted for:
Property, plant and equipment

710,891

A15. Operating lease commitments - as lessor

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

As at
30 September 2017
RM

Not later than 1 year
Later than 1 year but not later than 5 years

3,635,498

424,915

4,060,413

B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

(a) Review of Performance for 3Q17 vs 3Q16

The Group recorded revenue of RM52.521 million for the quarter ended 30 September 2017 (3Q17), decreased by RM20.363 million (or 27.9%), as compared to the revenue of RM72.884 million for the corresponding quarter ended 30 September 2016 (3Q16). The Group also recorded a lower pre-tax profit of RM3.914 million for 3Q17, decreased by RM6.698 million (or 63.1%) as compared to the pre-tax profit of RM10.612 million for 3Q16. The lower revenue and pre-tax profit of the Group can be analysed as below:-

3Q17 vs 3Q16

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	12	(2,638)
Construction	(15,737)	(751)
Manufacturing	(3,887)	(2,323)
Property development	(2,019)	(1,668)
Utilities	3,068	722
Others	(1,800)	(40)
	<u>(20,363)</u>	<u>(6,698)</u>

(b) Review of Performance to date for FY17 vs FY16

The Group recorded revenue of RM157.505 million for the financial year to date ended 30 September 2017 (FY17), decreased by RM24.132 million (or 13.3%), as compared to the revenue of RM181.637 million for the corresponding financial year to date ended 30 September 2016 (FY16). The Group also recorded a lower pre-tax profit of RM9.791 million, decreased by RM8.259 million (or 45.7%) as compared to the pre-tax profit of RM18.050 million for FY16. The lower revenue and pre-tax profit of the Group can be analysed as below:-

FY17 vs FY16

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	39	361
Construction	(16,988)	(1,611)
Manufacturing	(1,469)	(4,956)
Property development	(11,076)	(3,767)
Utilities	9,528	1,736
Others	(4,166)	(22)
	<u>(24,132)</u>	<u>(8,259)</u>

B1. Operating Segment Review (cont'd.)

Investment

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

The investment segment continue to record a consistent revenue for the current quarter and current financial year to date.

For the current financial year to date, the investment segment showed an improved pre-tax profit of RM0.580 million versus the pre-tax profit of RM0.219 million in the previous year corresponding period. This was mainly due to the lower finance costs of RM2.226 million (FY16 : RM3.285 million), partially off-set by the share of profits in associated companies of RMNil compared to RM0.793 million recorded in the previous year corresponding period.

Construction

The construction segment has recorded a lower pre-tax profit of RM1.877 million (FY16 : RM3.488 million) on the back of a lower turnover of RM79.918 million (FY16 : RM96.906 million) as compared to the previous year corresponding period.

For the current financial year to date, the construction segment has recorded loss on foreign exchange of RM1.107 million as compared to RM0.088 in the previous year corresponding period. If this was excluded from pre-tax profit, the construction segment's overall margin remained consistent.

Manufacturing

For the current financial year to date, the manufacturing segment recorded a lower pre-tax profit of RM3.770 million (FY16 : RM8.726 million) on a lower turnover of RM43.570 million as compared to RM45.039 million in the previous year corresponding period.

The manufacturing segment continued to record a lower overall margin for the current financial year to date due to the fluctuation in the petroleum products price for premix products as bitumen was the major raw material component for its premix products. The bitumen price has remained high as compared to the previous year corresponding period. The impact from higher bitumen price could not be fully passed on to the customers due to the competitive environment.

Property Development

Due to the current sluggish economy, weak property market sentiment and oversupply, the property development segment has recorded lower pre-tax profit of 1.316 million (FY16 : RM5.082 million) on the back of lower turnover of RM16.111 million (FY16 : RM27.187 million) in the current financial year to date as compared to the previous year corresponding period.

Utilities

The revenue of utilities segment is derived from the supply of treated water and related services to consumers from a water treatment plant located in Lao People's Democratic Republic.

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 previously accounted for as share of profit from associate in the previous year corresponding period.

B1. Operating Segment Review (cont'd.)

Others

The revenue of others segment is mainly derived from trading of construction materials.

This segment showed quite consistent pre-tax profit of RM0.512 million (FY16 : 0.534 million) on the much lower turnover of RM3.372 million (FY16 : RM7.539 million) in the current financial year to date as compared to the previous year corresponding period.

The improvement in overall profit margin was mainly due to higher overseas sales achieved which generally yielded higher profit margin as compared to local sales.

B2. Variance of Results Against Preceding Quarter

	Current Quarter 30 September 2017 RM'000	Immediate Preceding Quarter 30 June 2017 RM'000	Changes Amount RM'000
Revenue	52,521	46,750	5,771
Pre-tax profit	3,914	3,322	592

The higher turnover recorded in the current quarter was mainly due to higher turnover from on-going projects in the construction segment. The overall profit margin for the current quarter remained consistent as compared to the immediate preceding quarter.

B3. Propects

The property market's growth will continue to be flat in 2017 due to the stringent conditions imposed by financial institutions on approving loans, coupled by the increasing cost of living and the economic uncertainties which have led to more cautious consumer spending. With this in mind, the Group is expected to be more cautious in the launching of new property development projects.

The construction industry's growth is very much driven by infrastructure projects and property development projects. The government's various infrastructure projects are expected to drive a growth in the construction industry. However, this growth will be affected by the slowdown in property development projects. Apart from this, the increase in price of construction materials arisen from the weakenings of Ringgit Malaysia is expected to affect the overall performance of the construction segment.

In view of the fluctuation in petroleum products price which formed a major raw material cost for premix products, the overall performance of the manufacturing segment in 2017 is expected to be challenging.

Taking into consideration of the above-mentioned, the directors expect the Group's operating environment to remain challenging and the profitability to be modest.

B4. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 September		9 months ended	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	987,000	1,960,423	2,932,676	4,638,955
Over provision in prior year	(71,004)	(13,740)	(70,956)	(28,373)
	<u>915,996</u>	<u>1,946,683</u>	<u>2,861,720</u>	<u>4,610,582</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	6,697	40,126	(641,203)	(252,490)
Under provision in prior year	43,926	805	44,630	3,581
	<u>50,623</u>	<u>40,931</u>	<u>(596,573)</u>	<u>(248,909)</u>
Income tax expense	<u>966,619</u>	<u>1,987,614</u>	<u>2,265,147</u>	<u>4,361,673</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.

B4. Income tax expense (cont'd.)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Individual Quarter		Cumulative Quarter	
	3 months ended		year-to-date	
	30 September		9 months ended	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit before tax	3,914,294	10,611,985	9,791,164	18,049,458
Taxation at applicable tax rates	939,430	2,791,318	2,349,879	5,759,412
Income not subject to tax	(488,983)	(425,950)	(1,448,604)	(2,003,575)
Expenses not deductible for tax purposes	665,050	(193,351)	1,766,322	954,382
Difference in tax rate of foreign subsidiaries	(40,118)	-	(114,249)	-
Effect of changes in tax rate	(20,257)	-	(20,257)	-
Deferred tax assets not recognised	(1,011)	97,254	4,796	5,500
Utilisation of previously unrecognised deferred tax assets	(60,414)	(268,722)	(246,414)	(329,254)
Over provision of current tax in prior years	(71,004)	(13,740)	(70,956)	(28,373)
Under provision of deferred tax in prior years	43,926	805	44,630	3,581
Income tax expense	966,619	1,987,614	2,265,147	4,361,673

B5. Corporate Proposals and Profit Forecast

Not applicable as no profit forecast was published.

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

B6. Borrowing and Debt Securities

	As at 30 September	
	2017	2016
	RM	RM
Short term borrowings		
Bank overdrafts (secured)	2,802,907	-
Bankers' acceptances (unsecured)	2,117,000	2,289,351
Hire purchase liabilities (secured)	2,853,297	5,849,445
Revolving credits (unsecured)	1,800,000	1,800,000
Revolving credits (secured)	3,000,000	3,000,000
Term loans (secured)	8,025,004	5,000,004
	<u>20,598,208</u>	<u>17,938,800</u>
Long term borrowings		
Hire purchase liabilities (secured)	3,421,535	3,649,623
Non-cumulative redeemable preference shares (unsecured)	-	16,101,714
Term loans (secured)	64,270,032	82,666,656
	<u>67,691,567</u>	<u>102,417,993</u>
Total borrowings	<u>88,289,775</u>	<u>120,356,793</u>

Loan and borrowings are denominated in the following currencies:

	As at 30 September	
	2017	2016
	RM	RM
Ringgit Malaysia	85,486,868	120,356,793
Lao Kip	2,802,907	-
	<u>88,289,775</u>	<u>120,356,793</u>

B7. Changes in Material Litigation

There was no material litigation against the Group as at the reporting date.

B8. Proposed Dividend

No dividend has been proposed or declared in respect of the financial year to date.

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		9 months ended	
	30 September		30 September	
	2017	2016	2017	2016
	RM	RM	RM	RM
Profit attributable to owners of the Company	2,707,873	7,849,094	6,844,421	14,465,807
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	2.92	8.47	7.38	15.61

(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 RM36.39 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 9 months ended 30 September	
	2017	2016
	RM	RM
Total retained profits of the Group		
- Realised profits	336,406,745	316,686,078
- Unrealised losses	(3,086,494)	(16,797,798)
	<u>333,320,251</u>	<u>299,888,280</u>
 Total share of accumulated losses from associated companies		
- Realised losses	<u>-</u>	<u>(15,214,244)</u>
 Less: Consolidated adjustments	<u>(38,363,173)</u>	<u>(30,207,819)</u>
 Retained profits as per statement of financial position	<u>294,957,078</u>	<u>254,466,217</u>