DKLS INDUSTRIES BERHAD (369472 - P)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Comprehensive Income
For the quarter and 3 months ended 31 March 2018 - unaudited

	Note	Individual Quarter 3 months ended 31 March 2018 RM	Individual Quarter 3 months ended 31 March 2017 RM (Restated)	Cumulative Quarter 3 months ended 31 March 2018 RM	Cumulative Quarter 3 months ended 31 March 2017 RM (Restated)
Revenue		47,985,526	58,179,245	47,985,526	58,179,245
Interest income		201,333	569,578	201,333	569,578
Other income		1,862,672	1,924,910	1,862,672	1,924,910
Operating expenses		(40,028,424)	(46,332,754)	(40,028,424)	(46,332,754)
Changes in work-in-progress and finished goods		1,764,406	593,557	1,764,406	593,557
Employee benefit expenses		(5,187,975)	(6,081,223)	(5,187,975)	(6,081,223)
Administrative expenses		(5,321,927)	(5,137,771)	(5,321,927)	(5,137,771)
Profit from operating activities	A8	1,275,611	3,715,542	1,275,611	3,715,542
Interest expense		(1,649,237)	(1,145,770)	(1,649,237)	(1,145,770)
(Loss)/Profit before tax		(373,626)	2,569,772	(373,626)	2,569,772
Income tax expense		(352,654)	(138,098)	(352,654)	(138,098)
(Loss)/Profit for the period, net of tax		(726,280)	2,431,674	(726,280)	2,431,674
Other comprehensive income, net of tax					
Items that will be reclassified to profit or loss in the future:					
Foreign currency translation differences for foreign operations		(1,882,980)	(493,005)	(1,882,980)	(493,005)
Other comprehensive income for the period, net of tax		(1,882,980)	(493,005)	(1,882,980)	(493,005)
Total comprehensive income for the period		(2,609,260)	1,938,669	(2,609,260)	1,938,669
(Loss)/Profit for the period attributable to:					
Owners of the Company		(817,011)	2,271,270	(817,011)	2,271,270
Non-controlling interests		90,731	160,404	90,731	160,404
Profit for the period		(726,280)	2,431,674	(726,280)	2,431,674
Total comprehensive income attributable to:					
Owners of the Company		(2,320,964)	1,926,167	(2,320,964)	1,926,167
Non-controlling interests		(288,296)	12,502	(288,296)	12,502
Total comprehensive income for the period		(2,609,260)	1,938,669	(2,609,260)	1,938,669
Basic/Diluted, (loss)/earnings per ordinary share (sen)		(0.88)	2.45	(0.88)	2.45

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2017 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 2018 - unaudited

	31 March 2018 RM	31 December 2017 RM (Restated)	1 January 2017 RM (Restated)
ASSETS			
Non-Current Assets			
Property, plant and equipment	134,053,699	138,764,009	140,582,530
Land held for property development	123,159,859	122,502,901	125,984,915
Investment properties	123,210,000	123,210,000	123,965,000
Available-for-sale investments	47,747	60,390	40,952
Quarry extraction exclusive right	-	-	267,776
Trade and other receivables	6,166,491	5,783,414	9,134,949
Deferred tax assets	4,762,676	4,489,638	1,931,427
Total non-current assets	391,400,472	394,810,352	401,907,549
Current Assets			
Property development costs	14,907,893	13,196,690	19,682,269
Inventories	67,870,326	68,284,231	59,579,461
Trade and other receivables	90,094,652	98,679,130	82,843,301
Other current assets	1,474,284	2,137,502	19,154,756
Available-for-sale investments	17,496,203	24,913,627	16,263,632
Tax recoverable	532,648	147,499	1,861,740
Cash and cash equivalents	53,160,817	45,320,626	50,293,934
Total current assets	245,536,823	252,679,305	249,679,093
TOTAL ASSETS	636,937,295	647,489,657	651,586,642
EQUITY AND LIABILITIES			
Equity			
Share capital	101,883,643	101,883,643	92,699,600
Share premium	-	-	8,757,596
Retained profits	291,297,176	292,540,634	290,272,319
Reserves	(2,079,349)	(1,001,843)	2,522,096
Equity attributable to owners of the Company	391,101,470	393,422,434	394,251,611
Non-controlling interests	8,065,316	8,353,612	9,714,462
Total equity	399,166,786	401,776,046	403,966,073
Non-Current Liabilities			
Loans and borrowings	62,038,248	64,432,208	78,535,996
Other payables	47,777,650	47,371,905	7,246,508
Deferred tax liabilities	2,448,500	3,056,258	2,457,340
Total non-current liabilities	112,264,398	114,860,371	88,239,844
Current Liabilities			
Loans and borrowings	18,475,465	20,046,039	25,453,083
Trade and other payables	66,581,379	70,407,951	101,393,256
Other current liabilities	36,530,823	36,796,398	31,675,551
Tax payable	3,918,444	3,602,852	858,835
Total current liabilities	125,506,111	130,853,240	159,380,725
Total liabilities	237,770,509	245,713,611	247,620,569
TOTAL EQUITY AND LIABILITIES	636,937,295	647,489,657	651,586,642
Net assets per share attributable to owners of the Company (RM)	4.22	4.24	4.25

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2017 and the accompanying notes attached to the Interim Financial Statements.

DKLS INDUSTRIES BERHAD (369472 - P)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity
For 3 months ended 31 March 2018 - unaudited

	Attributable to owners of the Company									
		Non distributable					Distributable			
	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Asset revaluation reserve RM	Fair value adjustment reserve RM	Other reserve RM	Retained profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
3 months ended 31 March 2018										
Balance at 1 January 2018 (As previously stated)	101,883,643	-	(1,732,918)	1,157,522	30,598	(426,447)	293,361,042	394,273,440	8,353,612	402,627,052
Effect of MFRS adoption and changes in accounting polocies	-	-	-	-	(30,598)	426,447	(1,246,855)	(851,006)	-	(851,006)
Balance at 1 January 2018 (Restated)	101,883,643	-	(1,732,918)	1,157,522	-	-	292,114,187	393,422,434	8,353,612	401,776,046
Total comprehensive income for the period	-	-	(1,503,953)	-	-	-	(817,011)	(2,320,964)	(288,296)	(2,609,260)
Balance at 31 March 2018	101,883,643	-	(3,236,871)	1,157,522	-	-	291,297,176	391,101,470	8,065,316	399,166,786
3 months ended 31 March 2017 (Restated)										
Balance at 1 January 2017 (As previously stated)	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
Effect of MFRS adoption and changes in accounting polocies	-	-	-	-	(7,739)	-	(621,326)	(629,065)	-	(629,065)
Balance at 1 January 2017 (Restated)	92,699,600	8,757,596	1,364,574	1,157,522	-	-	290,272,319	394,251,611	9,714,462	403,966,073
Total comprehensive income for the period	-	-	(345,103)	-	-	-	2,271,270	1,926,167	12,502	1,938,669
Balance at 31 March 2017	92,699,600	8,757,596	1,019,471	1,157,522	-	-	292,543,589	396,177,778	9,726,964	405,904,742

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2017 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 2018 - unaudited

	3 months ended 31 March	
	2018	2017
	RM	RM
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation :	(373,626)	2,569,772
Adjustments for :-		
Amortisation of quarry extraction exclusive right	-	22,316
Depreciation	3,049,684	3,189,630
Dividend income from available-for-sale investments	(203,726)	(201,349)
Fair value changes on available-for-sale investments	14,972	(38,535)
Gain on disposal of property, plant and equipment, net	(194,799)	(152,571)
Interest expense	2,104,532	1,176,820
Interest income	(448,708)	(576,576)
Property, plant and equipment written off	25	324,462
Write back of impaiment loss on trade and other receivables	(152,085)	(10,592)
Unrealised loss on foreign exchange	1,140,464	687,501
Operating profit before changes in working capital	4,936,733	6,990,878
Changes in working capital:-		
Net changes in current assets	7,238,493	18,516,724
Net changes in current liabilities	(5,610,158)	6,211,012
Cash flows from operations	6,565,068	31,718,614
Interest paid	(110,239)	(73,894)
Interest received	129,057	486,237
Taxes (paid)/refund	(1,277,385)	276,163
Net cash flows from operating activities	5,306,501	32,407,120
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	45,548	45,757
Land held for property development	(656,958)	(47,878)
Net dividend received from available-for-sale investments	203,726	201,349
Proceeds from disposal of:		
- available-for-sale investments	23,415,455	16,984,479
- property, plant and equipment	700,240	489,189
Purchase of:		
- available-for-sale investments	(16,000,360)	(30,730,052)
- property, plant and equipment	(1,138,421)	(5,976,564)
Placement of deposits with maturity period more than 3 months	(12,068)	(647,573)
Net cash flows from/(used in) investing activities	6,557,162	(19,681,293)

DKLS INDUSTRIES BERHAD (369472 - P)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 3 months ended 31 March 2018 - unaudited

	3 months ended 31 March	
	2018	2017
	RM	RM (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(916,177)	(1,102,926)
Repayment of term loan	(2,001,962)	(4,329,891)
Repayment of hire purchase liabilities	(962,304)	(2,402,732)
Net cash flows used in financing activities	(3,880,443)	(7,835,549)
Net increase in cash and cash equivalents	7,983,220	4,890,278
Effects of exchange rate differences	483,435	206,048
Cash and cash equivalents at beginning of the period	31,278,695	35,122,343
Cash and cash equivalents at end of the period	39,745,350	40,218,669

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

Cash and bank balances	21,538,987	13,027,929
Deposits with licensed banks	31,621,830	39,782,267
Bank overdrafts	(4,642,487)	(1,970,748)
	48,518,330	50,839,448
Less:		
Deposits with maturity period more than 3 months	(8,772,980)	(10,620,779)
	39,745,350	40,218,669

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2017 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 2017. 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 2017.

A2. Significant Accounting Policies

2.1 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These interim financial statements, for the period ended 31 March 2018, are the first the Group has prepared in accordance with MFRS. For periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

MFRS 1 : First-Time Adoption of Malaysian Financial Reporting Standards has been applied. In preparing its opening MFRS Statement of Financial Position as at 1 January 2017, the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS.

Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies in preparing these financial statements are consistent with those of the audited financial statements for the year ended 31 December 2017 except as discussed below:

(a) MFRS 1 : First-Time Adoption of Malaysian Financial Reporting Standards

Under MFRS 1, the reserves of RM426,447 from the merger method in accordance with Malaysian Accounting Standard 2 - Accounting for Acquisitions and Mergers (generally accepted accounting period at that time) were reclassified to retained profits as it did not qualified for recognition as an asset.

(b) MFRS 9 : Financial Instruments

MFRS 9 : Financial Instruments replaces FRS 139 : Financial Instruments : Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

The group has applied MFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning on January 2017.

A. Notes to the Interim Financial Statements (cont'd.)

A2. Significant Accounting Policies (cont'd.)

2.1 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd.)

(b) MFRS 9 : Financial Instruments (cont'd.)

The effect of adopting MFRS 9 is as follows:

Impact of the statement of financial position (increase/(decrease)) as at 31 December 2017:

	Note	RM
Assets		
Trade and other receivables	(ii)	(610,460)
Equity		
Retained profits	(i), (ii)	(579,862)
Reserves	(i)	(30,598)
		(610,460)

Impact on the statement of profit or loss (increase/(decrease)) for the 3 months ended 31 March 2017:

	Note	RM
Other income	(i)	25,940
Attributable to:		
Owners of the Company		25,940

Impact on other comprehensive income (increase/(decrease)) for the 3 months ended 31 March 2017:

	Note	RM
Fair value changes on available-for-sale investments	(i)	(25,940)

(i) Classification and measurement

Under MFRS 9, debt financial instruments are measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The Group's quoted equity shares and unit trust funds whose cash flow characteristics fail the SPPI criterion were measured at FVPL. Under FRS 139, this category were classified as available-for-sale ("AFS") financial assets and measured at FVOCI. On application, the AFS reserve related to this category were reclassified to retained profits.

A. Notes to the Interim Financial Statements (cont'd.)

A2. Significant Accounting Policies (cont'd.)

2.1 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd.)

(b) MFRS 9 : Financial Instruments (cont'd.)

(ii) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing FRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

MFRS 9 requires the Group to record an allowance for ECLs for all loans and debt financial assets not held at FVPL.

The Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses, that is established based on the Group's credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(c) MFRS 15 : Revenue from Contracts with Customers

MFRS 15 supersedes FRS 111 : Construction Contracts, FRS 118 : Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted MFRS 15 using the full retrospective method. The effect of adopting MFRS 15 is as follows:

Impact of the statement of financial position (increase/(decrease)) as at 31 December 2017:

	Note	RM
Assets		
Property development costs	(i)	475,453
Other current assets	(i)	(715,999)
		(240,546)
Equity		
Retained profits	(i)	(240,546)

A. Notes to the Interim Financial Statements (cont'd.)

A2. Significant Accounting Policies (cont'd.)

2.1 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd.)

(c) MFRS 15 : Revenue from Contracts with Customers (cont'd.)

Impact on the statement of profit or loss (increase/(decrease)) for the 3 months ended 31 March 2017:

	Note	RM
Revenue	(i)	(55,159)
Operating expenses	(i), (ii)	(45,080)
Administrative expenses	(iii)	499
Profit for the period		(10,578)
Attributable to:		
Owners of the Company		(10,578)

(i) Timing of revenue recognition

MFRS 15 introduces a new approach to determine whether revenue should be recognised over time or at a point in time. To determine this, MFRS 15 requires the entities to assess whether it has an alternative use for the assets it is constructing and whether it has an enforeceable right to payment for work completed to date (the "enforceable right test"). Revenue can only be recognised over time if both tests are met.

The enforceable right test requires the Group to determine whether the practices in the legal juristiction indicate that is has an enforceable right to payments for work completed to date. Such enforceable right is established for the development of residential properties governed under the Housing Development Act ("HDA") in Malaysia. However, the development of commercial properties in Malaysia, which is not governed under the HDA, does not meet the enforceable right test. Accordingly, revenue from development of commercial properties was now recognised at a point in time.

(ii) Cost incurred in fulfilling a contract

In the normal course of business activities, the Group incurred sales commission for certain property units sold. These sale commissions were previously expensed off to profit or loss because they did not qualify for recognition as an asset under any of the other accounting standards. However, these sale commissions relate directly to contracts and are expected to be recovered through future fees for the services to be provided. Accordingly, under MFRS 15, these sale commissions are eligible for capitalisation and recognised as a development cost.

A. Notes to the Interim Financial Statements (cont'd.)

A2. Significant Accounting Policies (cont'd.)

2.1 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd.)

(c) MFRS 15 : Revenue from Contracts with Customers (cont'd.)

(iii) Free legal fees and stamp duty

In the normal course of business activities, the Group offered to reimburse its customers' legal fees and stamp duties for certain property units sold. These legal fees and stamp duties were previously expensed off to profit or loss because they did not qualify for recognition as an asset under any of the other accounting standards. However, under MFRS 15, these legal fees and stamp duties are effectively consideration payable by the Group to the customers thus such consideration need to be deducted from the revenue.

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.

A. Notes to the Interim Financial Statements (cont'd.)

A8. Profit from operating activities

	Currret quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
	2018	2017	2018	2017
	RM	RM (Restated)	RM	RM (Restated)
The following items have been included in arriving at profit from operating activities:				
Amortisation of quarry extraction exclusive rights	-	22,316	-	22,316
Total depreciation	3,049,684	3,189,630	3,049,684	3,189,630
Depreciation capitalised under construction costs	(356,804)	(471,446)	(356,804)	(471,446)
Depreciation charged to profit from operating activities	2,692,880	2,718,184	2,692,880	2,718,184
Dividend income from available-for-sale investments	(203,726)	(201,349)	(203,726)	(201,349)
Fair value changes on available-for-sale investments	14,972	(38,535)	14,972	(38,535)
Gain on disposal of property, plant and equipment	(194,799)	(152,571)	(194,799)	(152,571)
Loss/(gain) on foreign exchange :				
- realised	53,066	(43,336)	53,066	(43,336)
- unrealised	1,140,464	687,501	1,140,464	687,501
Property, plant and equipment written off	25	324,462	25	324,462
Write back of impiarment loss on trade and other receivables	(152,085)	(10,592)	(152,085)	(10,592)
Impairment of assets	N/A	N/A	N/A	N/A
Inventories written off	N/A	N/A	N/A	N/A
Gain on derivatives	N/A	N/A	N/A	N/A

A. Notes to the Interim Financial Statements (cont'd.)

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
Current quarter 3 months ended 31 March 2018							
Revenue							
Total revenue	5,820,462	32,666,325	16,400,653	1,171,113	2,734,021	425,513	59,218,087
Inter-segment sales	4,633,521	2,673,164	3,746,654	-	329	178,893	11,232,561
External sales	1,186,941	29,993,161	12,653,999	1,171,113	2,733,692	246,620	47,985,526
Results							
Segment results	(100,173)	1,073,281	615,331	(744,077)	375,867	55,382	1,275,611
Interest expense	(685,657)	(46,300)	(23,857)	(815,545)	(77,878)	-	(1,649,237)
(Loss)/Profit before taxation	(785,830)	1,026,981	591,474	(1,559,622)	297,989	55,382	(373,626)
Income tax expense	(16,101)	(855,039)	410,058	194,746	(75,770)	(10,548)	(352,654)
Profit for the period							(726,280)
Total Assets							
Segment assets	144,442,025	134,000,096	76,529,015	192,916,897	61,643,193	4,566,795	614,098,021
Unallocated corporate assets							22,839,274
Total assets							636,937,295
Total Liabilities							
Segment liabilities	58,818,192	73,936,923	8,424,653	77,262,319	12,767,073	194,405	231,403,565
Unallocated corporate liabilities							6,366,944
Total liabilities							237,770,509
Other Information							
Capital expenditure	-	-	951,985	3,597	434,656	12,783	1,403,021

A. Notes to the Interim Financial Statements (cont'd.)

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

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
Current quarter 3 months ended 31 March 2017 (Restated)							
Revenue							
Total revenue	1,828,551	36,766,676	13,127,539	4,011,266	3,105,562	1,492,709	60,332,303
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	4,011,266	3,105,562	1,074,660	58,179,245
Results							
Segment results	688,214	2,178,091	409,103	(162,651)	509,394	93,391	3,715,542
Interest expense	(731,796)	(75,783)	(16,351)	(291,707)	(30,133)	-	(1,145,770)
(Loss)/Profit before taxation	(43,582)	2,102,308	392,752	(454,358)	479,261	93,391	2,569,772
Income tax expense	34,960	56,773	(180,007)	105,763	(135,144)	(20,443)	(138,098)
Profit for the period							2,431,674
Total Assets							
Segment assets	150,607,180	127,925,423	70,168,964	194,695,080	66,330,656	6,628,085	616,355,388
Unallocated corporate assets							33,222,658
Total assets							649,578,046
Total Liabilities							
Segment liabilities	63,901,200	76,483,032	8,635,417	80,559,468	10,310,989	717,523	240,607,629
Unallocated corporate liabilities							3,064,669
Total liabilities							243,672,298
Other Information							
Capital expenditure	5,930	513,196	4,528,085	-	928,787	566	5,976,564

A. Notes to the Interim Financial Statements (cont'd.)

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 Compositon 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

	As at 31 March 2018 RM	As at 31 March 2017 RM (Restated)
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	116,435,663	161,990,898
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	757,491	1,252,964
Corporate guarantee given to third parties for payment of balance purchase price in connection with land acquisition by one of the subsidiaries	2,800,000	5,040,000
	119,993,154	168,283,862

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 2017.

A. Notes to the Interim Financial Statements (cont'd.)

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	
	2018	2017	2018	2017
	RM	RM (Restated)	RM	RM (Restated)
Architect fees payable to Arkitek Ding Poi Kooi	(164,590)	-	(164,590)	-
Purchase of consumables from DKLS Service Station	(541)	(2,491)	(541)	(2,491)
Rental of building paid to Ipoh Tower Sdn Bhd	-	(13,200)	-	(13,200)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(6,300)	(6,600)	(6,300)	(6,600)
Supply of electricity by Ipoh Tower Sdn Bhd	(17,317)	(23,984)	(17,317)	(23,984)

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 2018 RM
Approved and contracted for:	
Property, plant and equipment	110,460

A15. Operating lease commitments - as lessor

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

	As at 31 March 2018 RM
Not later than 1 year	3,359,226
Later than 1 year but not later than 5 years	2,170,932
	5,530,158

B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

Review of Performance for 1Q18 vs 1Q17

The Group recorded a revenue of RM47.986 million for the first quarter ended 31 March 2018 (1Q18), RM10.194 million (or 18%) lower than the revenue of RM58.180 million for the previous year corresponding quarter ended 31 March 2017 (1Q17). For 1Q18, the Group recorded a pre-tax loss of RM0.374 million as compared to pre-tax profit of RM2.569 million for 1Q17. The drop in revenue and pre-tax profit of the Group can be analysed as below:-

1Q18 vs 1Q17 Increase/(Decrease)	**Revenue** RM'000	**Pre-tax profit** RM'000
Investment	(515)	(742)
Construction	(5,223)	(1,075)
Manufacturing	(416)	199
Property development	(2,840)	(1,105)
Utilities	(372)	(181)
Others	(828)	(39)
	(10,194)	(2,943)

Investment

External revenue of the investment segment is derived mainly from investment properties. The lower revenue in 1Q18 was due to drop in occupancy rate from 100% to 70% as a result of the expiry of certain tenancy agreements in the fourth quarter of 2017.

On the back of lower revenue, the investment segment recorded a pre-tax loss of RM0.786 million as compared to the pre-tax profit of RM0.044 million in the previous year corresponding quarter. The pre-tax loss was also due to the unrealised loss on foreign exchange of RM0.477 million (1Q17 : RM0.112 million).

Construction

For the current quarter under review, the construction segment recorded a lower pre-tax profit of RM1.027 million (1Q17 : RM2.102 million) on the back of lower revenue of RM29.993 million (1Q17 : RM35.216 million).

The overall profit margin has dropped mainly attributed to revenue from the on-going construction projects which yield lower margin as compared to sale of inventories in the previous year corresponding quarter.

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

B1. Operating Segment Review (cont'd.)

Manufacturing

The manufacturing segment has recorded a higher pre-tax profit of RM0.781 million (1Q17 : RM0.393 million) on a lower revenue of RM12.654 million (1Q17 : RM13.070 million) for the current quater under review.

The overall profit margin has increased mainly due to gain on disposal of property, plant and equipment of RM0.220 million (1Q17 : RM0.017 million) and property, plant and equipment written off of RMNil (1Q17 : RM0.324 million). If these were excluded from pre-tax profit, the manufacturing segment would have recorded a lower margin on the back of lower revenue with consistent overhead costs.

Property Development

The continuous weak sentiments in the property market has affected the property development segment to record a lower turnover of RM1.171 million in the current quarter as compared to RM4.011 million in the previous year corresponding quarter.

On the back of lower turnover and consistent overhead costs, the property development segment has recorded a pre-tax loss of RM1.559 million in the current quarter as compared to the pre-tax loss of RM0.454 million recorded in the previous year corresponding quarter. The pre-tax loss was also due to the amortisation of interest expense on long term payables of RM0.815 miliion (1Q17 : RMNil).

Utilities

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

The lower profit margin for the current quarter under review was mainly due to the unrealised loss on foreign exchange of RM0.096 million (1Q17 : RM0.340 million) and higher interest expenses of RM0.078 million (1Q17 : RM0.030 million). If these were excluded from pre-tax profit, the utilities segment would have recorded a consistent margin on a lower revenue achieved.

Others

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

This segment recorded a lower pre-tax profit of RM0.055 million as compared to pre-tax profit of RM0.094 million in the previous year corresponding quarter on the back of lower turnover of RM0.247 million (1Q17 : RM1.075 million). The lower revenue was mainly due to lower trading sale.

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

B2. Variance of Results Against Preceding Quarter

	Current Quarter 31 March 2018 RM'000	Immediate Preceding Quarter 31 December 2017 RM'000	Changes Amount RM'000
Revenue	47,986	74,849	(26,863)
Pre-tax (loss)/profit	(374)	2,376	(2,750)

The lower revenue recorded for the current quarter was mainly contributed by the construction segment and development segment as a result of the dampening of the overall economy especially in the property market.

On the back of lower turnover and consistent overhead costs, the Group has recorded a pre-tax loss in the current quarter.

B3. Prospects

2018 is expected to be another flat and challenging period for the property market. The key issues of price unaffordability, overhang of property, rising cost of living, weak buyer sentiments, continued cooling measures implemented and tight financing will continue to have a dampening effect on the property industry. With this in mind and also the uncertainty in the new government, the Group's focus area will be on selling its inventories and be more cautious in the launching of new property development projects.

The growth in construction activity is built on an array of civil engineering and real estate developments, especially affordable housing supported by government initiatives. Construction projects worth RM350 billion are expected to come onstream over the next two to three years with the announcement of Budget 2018, however this will be uncertained but with the sense of optimism about the future with the onset of the new government. Under the new environment, the Group is forward looking in overcoming the ever challenges in the construction industry such as the thin project margin, rising price of construction materials, competitiness in securing projects, focus in maintaining cost efficiency and etc.

Taking into consideration of the above-mentioned, the directors expect the Group's operating environment to remain challenging and the profitability to be modest for 2018.

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

B4. Income tax expense

	Current quarter 3 months ended 31 March 2018 RM	Current quarter 3 months ended 31 March 2017 RM (Restated)	Cumulative quarter 3 months ended 31 March 2018 RM	Cumulative quarter 3 months ended 31 March 2017 RM (Restated)
Current income tax:				
Malaysia income tax	1,233,449	538,503	1,233,449	538,503
Deferred income tax:				
Relating to origination and reversal of temporary differences	(881,102)	(400,405)	(881,102)	(400,405)
Under provision in prior years	307	-	307	-
	(880,795)	(400,405)	(880,795)	(400,405)
Income tax expense	352,654	138,098	352,654	138,098

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 2018 RM	Current quarter 3 months ended 31 March 2017 RM (Restated)	Cumulative quarter 3 months ended 31 March 2018 RM	Cumulative quarter 3 months ended 31 March 2017 RM (Restated)
(Loss)/Profit before taxation	(373,626)	2,569,772	(373,626)	2,569,772
Taxation at applicable tax rates	(89,649)	613,058	(89,649)	613,058
Income not subject to tax	(859,770)	(688,783)	(859,770)	(688,783)
Expenses not deductible for tax purposes	1,306,501	313,941	1,306,501	313,941
Difference in tax rate of subsidiaries	(24,195)	(27,030)	(24,195)	(27,030)
Deferred tax assets not recognised	19,460	2,687	19,460	2,687
Utilisation of previously unrecognised deferred tax assets	-	(75,775)	-	(75,775)
Under provision of deferred tax in prior years	307	-	307	-
Income tax expense	352,654	138,098	352,654	138,098

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

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 2018 RM	As at 31 December 2017 RM (Restated)
Short term borrowings		
Hire purchase liabilities (secured)	3,555,974	3,861,680
Term loans (secured)	5,000,004	5,000,004
Bank overdrafts (unsecured)	19,217	15,063
Bank overdrafts (secured)	4,623,270	4,847,292
Revolving credits (unsecured)	-	-
Revolving credits (secured)	3,000,000	3,000,000
Bankers' acceptances (unsecured)	2,277,000	3,322,000
	18,475,465	20,046,039
Long term borrowings		
Hire purchase liabilities (secured)	1,020,180	1,412,178
Term loans (secured)	61,018,068	63,020,030
	62,038,248	64,432,208
Total borrowings	80,513,713	84,478,247

Loan and borrowings are denominated in the following currencies:

	As at 31 March 2018 RM	As at 31 December 2017 RM (Restated)
Ringgit Malaysia	75,890,443	79,630,955
Lao Kip	4,623,270	4,847,292
	80,513,713	84,478,247

B7. Changes in Material Litigation

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

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

B8. Proposed Dividend

No dividend has been proposed or declared in respect of the current quarter ended 31 March 2018.

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 2017. The dividend was approved by the shareholders at the Annual General Meeting held on 30 May 2018. The dividend is payable on 17 August 2018 to shareholders whose names appear in the Record of Depositors on 31 July 2018.

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	
	2018	**2017**	**2018**	**2017**
	RM	**RM (Restated)**	**RM**	**RM (Restated)**
(Loss)/Profit attributable to owners of the Company	(817,011)	2,271,270	(817,011)	2,271,270
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	(0.88)	2.45	(0.88)	2.45

(b) Diluted

There is no dilutive effect on earnings per share as the Company has no potential issues of ordinary shares.

B10. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 was unqualified.

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

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 RM20.2 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. Fair value of non-financial assets and financial instruments

The following table provides the fair value measurement hierarchy of the Group's non-financial assets and financial instruments as at 31 March 2018:

(i) Qualitative disclosures of fair value measurement hierarchy for assets

	Quoted prices in active markets for identical assets Level 1 RM	Significant other observable inputs Level 2 RM	Significant unobservable inputs Level 3 RM
Assets mesured at fair value			
Investment properties	-	-	123,210,000

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the period.

Level 1

Level 1 fair value is derived from quoted market price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2

Level 2 fair value is estimated using inputs other than quoted market prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property. The most significant unobservable inputs into this valuation approach is price per square feet of comparable properties and recent estimated net income then capitalised by using an appropriate rate of interest (yield).

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

B12. Fair value of non-financial assets and financial instruments (cont'd.)

(ii) Fair value of financial instruments that are carried at fair value

	Quoted prices in active markets for identical assets Level 1 RM	Significant other observable inputs Level 2 RM	Significant unobservable inputs Level 3 RM
Financial assets			
Available-for-sale investments			
- Equity instruments (quoted)	47,747	-	-
- Unit trust fund (quoted)	-	13,496,203	-
- Short term investments with a licensed bank (unquoted)	-	4,000,000	-
Financial liabilities			
Other commitments	-	2,747,811	-

Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at reporting date.

Short term investments with a licensed bank (unquoted) and unit trust fund (quoted)

Fair value is determined directly by reference to their published net asset value at reporting date.

Other commitments (non-current)

The fair value of other commitments is estimated by discounting expected future cash flows at market borrowing interest rates.