

Condensed Consolidated Statement of Comprehensive Income
For the quarter and 9 months ended 30 September 2018 - unaudited

	Note	Current Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
		2018	2017	2018	2017
		RM	RM (Restated)	RM	RM (Restated)
Revenue		54,111,684	52,664,480	157,963,174	157,503,587
Interest income		307,469	242,287	964,075	1,242,900
Other income		1,595,649	2,960,051	9,907,358	6,908,039
Operating expenses		(43,989,898)	(42,870,919)	(129,132,988)	(123,037,995)
Changes in work-in-progress and finished goods		(193,864)	503,766	1,779,495	1,145,492
Employee benefit expenses		(3,269,243)	(3,236,445)	(11,808,525)	(12,562,912)
Administrative expenses		(5,142,199)	(5,219,424)	(14,063,528)	(17,949,788)
Profit from operating activities	A8	3,419,598	5,043,796	15,609,061	13,249,323
Interest expense		(927,954)	(1,119,738)	(4,202,958)	(3,442,191)
Share of profit from associate, net of tax		4,161	-	4,161	-
Profit before tax		2,495,805	3,924,058	11,410,264	9,807,132
Income tax expense		(95,357)	(966,619)	(2,259,704)	(2,265,147)
Profit for the period, net of tax		2,400,448	2,957,439	9,150,560	7,541,985
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		637,247	(729,226)	405,270	(2,318,718)
Other comprehensive income for the period, net of tax		637,247	(729,226)	405,270	(2,318,718)
Total comprehensive income for the period		3,037,695	2,228,213	9,555,830	5,223,267
Profit for the period attributable to:					
Owners of the Company		2,149,122	2,717,637	8,523,810	6,860,389
Non-controlling interests		251,326	239,802	626,750	681,596
Profit for the period		2,400,448	2,957,439	9,150,560	7,541,985
Total comprehensive income attributable to:					
Owners of the Company		2,650,030	2,207,178	8,791,401	5,237,286
Non-controlling interests		387,665	21,035	764,429	(14,019)
Total comprehensive income for the period		3,037,695	2,228,213	9,555,830	5,223,267
Basic/Diluted, earnings per ordinary share (sen)		2.32	2.93	9.20	7.40

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 30 September 2018 - unaudited

	30 September 2018 RM	31 December 2017 RM (Restated)	1 January 2017 RM (Restated)
ASSETS			
Non-Current Assets			
Property, plant and equipment	129,664,240	138,764,009	140,582,530
Land held for property development	85,263,116	122,502,901	125,984,915
Investment properties	123,210,000	123,210,000	123,965,000
Interest in associates	4,163	-	-
Available-for-sale investments	43,433	60,390	40,952
Quarry extraction exclusive right	-	-	267,776
Trade and other receivables	5,863,596	5,783,414	9,134,949
Deferred tax assets	4,728,476	4,489,638	1,931,427
Total non-current assets	348,777,024	394,810,352	401,907,549
Current Assets			
Property development costs	5,395,253	12,721,237	19,482,932
Inventories	64,068,406	68,284,231	59,579,461
Trade and other receivables	91,249,980	98,679,130	82,843,301
Other current assets	3,073,091	2,853,501	19,393,551
Available-for-sale investments	15,712,490	24,913,627	16,263,632
Tax recoverable	1,124,628	147,499	1,861,740
Cash and cash equivalents	40,837,467	45,320,626	50,293,934
Total current assets	221,461,315	252,919,851	249,718,551
TOTAL ASSETS	570,238,339	647,730,203	651,626,100
EQUITY AND LIABILITIES			
Equity			
Share capital	101,883,643	101,883,643	92,699,600
Share premium	-	-	8,757,596
Retained profits	298,097,555	292,781,180	290,311,777
Reserves	(307,805)	(1,001,843)	2,522,096
Total equity attributable to owners of the Company	399,673,393	393,662,980	394,291,069
Non-controlling interests	9,118,041	8,353,612	9,714,462
Total equity	408,791,434	402,016,592	404,005,531
Non-Current Liabilities			
Loans and borrowings	58,385,438	64,432,208	78,535,996
Other payables	6,579,371	47,371,905	7,246,508
Deferred tax liabilities	2,396,848	3,056,258	2,457,340
Total non-current liabilities	67,361,657	114,860,371	88,239,844
Current Liabilities			
Loans and borrowings	27,382,470	20,046,039	25,453,083
Trade and other payables	53,742,290	70,407,951	101,393,256
Other current liabilities	11,250,111	36,796,398	31,675,551
Tax payable	1,710,377	3,602,852	858,835
Total current liabilities	94,085,248	130,853,240	159,380,725
Total liabilities	161,446,905	245,713,611	247,620,569
TOTAL EQUITY AND LIABILITIES	570,238,339	647,730,203	651,626,100
Net assets per share attributable to owners of the Company (RM)	4.31	4.25	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.

**Condensed Consolidated Statement of Changes in Equity
For 9 months ended 30 September 2018 - unaudited**

	Attributable to owners of the Company							Total RM	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	Other reserve RM	Retained profits RM			
9 months ended 30 September 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	8,353,612	394,273,440	402,627,052
Effect of MFRS adoption and changes in accounting policies	-	-	(1,732,918)	1,157,522	(30,598)	426,447	(1,006,309)	-	(610,460)	(610,460)
Balance at 1 January 2018 (Restated)	101,883,643	-	(1,732,918)	1,157,522	-	-	292,354,733	8,353,612	393,662,980	402,016,592
Total comprehensive income for the period	-	-	267,591	-	-	-	8,523,810	764,429	8,791,401	9,555,830
Transactions with owners: Dividend on ordinary shares	-	-	-	-	-	-	(2,780,988)	-	(2,780,988)	(2,780,988)
Balance at 30 September 2018	101,883,643	-	(1,465,327)	1,157,522	-	-	298,097,555	9,118,041	399,673,393	408,791,434
9 months ended 30 September 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	9,714,462	394,880,676	404,595,138
Effect of MFRS adoption and changes in accounting policies	-	-	1,364,574	1,157,522	(7,739)	-	(681,868)	-	(589,607)	(589,607)
Balance at 1 January 2017 (Restated)	92,699,600	8,757,596	1,364,574	1,157,522	-	-	290,311,777	9,714,462	394,291,069	404,005,531
Total comprehensive income for the period	-	-	(1,623,103)	-	-	-	6,860,389	(14,019)	5,237,286	5,223,267
Transactions with owners: Dividend on ordinary shares	-	-	-	-	-	-	(2,780,988)	-	(2,780,988)	(2,780,988)
Balance at 30 September 2017 (Restated)	92,699,600	8,757,596	(258,529)	1,157,522	-	-	294,391,178	9,700,443	396,747,367	406,447,810

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 9 months ended 30 September 2018 - unaudited**

	Cumulative Quarter 9 months ended 30 September	
	2018 RM	2017 RM (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,410,264	9,807,132
Adjustments for:-		
Amortisation of quarry extraction exclusive right	-	66,945
Bad debts written back	-	(16,487)
Depreciation	11,625,231	9,265,863
Dividend income from available-for-sale investments	(451,781)	(679,820)
Fair value changes on available-for-sale investments	(7,080)	(77,685)
Gain on derecognition of financial statements	(4,611,689)	-
Gain on disposal of:		
- investment in a subsidiary	-	(16,535)
- investment properties	-	(238,922)
- property, plant and equipment, net	(643,953)	(524,025)
Interest expense	4,777,103	3,521,514
Interest income	(1,706,200)	(1,242,900)
Inventories written off	-	223,403
(Write back of)/Provision for impairment loss on:		
- trade and other receivables	(284,105)	75,913
Property, plant and equipment written off	5,147	332,298
Share of profits from associate	(4,161)	-
Unrealised loss on foreign exchange	20,551	3,058,624
Operating profit before changes in working capital	<u>20,129,327</u>	<u>23,555,318</u>
Changes in working capital:-		
Net changes in current assets	9,374,351	22,805,766
Net changes in current liabilities	<u>(27,628,781)</u>	<u>606,278</u>
Cash flows from operations	1,874,897	46,967,362
Interest paid	(432,644)	(325,713)
Interest received	450,269	662,293
Taxes paid	<u>(6,025,326)</u>	<u>(2,390,519)</u>
Net cash flows (used in)/from operating activities	<u>(4,132,804)</u>	<u>44,913,423</u>

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**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 9 months ended 30 September 2018 - unaudited**

	Cumulative Quarter 9 months ended 30 September	
	2018 RM	2017 RM (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	433,624	546,321
Interest in associate	(2)	-
Land held for property development	(3,592,492)	(187,260)
Net dividend received from available-for-sale investments	451,781	679,820
Placement of deposits with maturity period more than 3 months	(363,165)	(1,339,185)
Proceeds from disposal of:		
- available-for-sale investments	56,668,812	65,436,910
- investment in a subsidiary	-	10
- investment properties	-	1,173,210
- property, plant and equipment	2,267,131	1,607,450
Purchase of:		
- available-for-sale investments	(47,443,638)	(88,078,169)
- investment properties	-	(6,100)
- property, plant and equipment	(3,292,885)	(10,420,056)
Withdrawal of deposits with maturity period more than 3 months	-	186,125
Net cash flows from/(used in) investing activities	<u>5,129,166</u>	<u>(30,400,924)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,780,988)	(2,780,988)
Dividend paid to non-controlling interest	(572,505)	-
Interest paid	(2,761,303)	(3,195,802)
Repayment of term loan	(4,720,821)	(13,958,931)
Repayment of hire purchase liabilities	(3,113,668)	(4,952,756)
Net cash flows used in financing activities	<u>(13,949,285)</u>	<u>(24,888,477)</u>
Net decrease in cash and cash equivalents	(12,952,923)	(10,375,978)
Effects of exchange rate differences	60,954	1,312,572
Cash and cash equivalents at beginning of the period	31,278,695	35,122,343
Cash and cash equivalents at end of the period	<u>18,386,726</u>	<u>26,058,937</u>

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**Condensed Consolidated Statement of Cash Flows (cont'd.)
For the 9 months ended 30 September 2018 - unaudited**

**Cumulative Quarter
9 months ended
30 September**

2018	2017
RM	RM

(Restated)

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

Cash and bank balances	16,343,104	10,458,411
Deposits with licensed banks	24,494,363	29,057,332
Bank overdrafts	<u>(12,700,955)</u>	<u>(2,802,907)</u>
	28,136,512	36,712,836
Less:		
Deposits with maturity period more than 3 months	<u>(9,749,786)</u>	<u>(10,653,899)</u>
	<u>18,386,726</u>	<u>26,058,937</u>

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

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

These interim financial statements, for the period ended 30 September 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 1 January 2017.

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

A2. Significant Accounting Policies (cont'd.)

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

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

Impact on the statement of comprehensive income (increase/(decrease)) for the 9 months ended 30 September 2017:

	Note	RM
Other income	(i)	<u>25,840</u>
Attributable to:		
Owners of the Company		<u>25,840</u>

Impact on other comprehensive income (increase/(decrease)) for the 9 months ended 30 September 2017:

	Note	RM
Fair value changes on available-for-sale investments	(i)	<u>(25,840)</u>

(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.)

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

	As restated in the interim financial statements for the 6 months ended 30 June 2018 RM	Reversal due to reassessment RM	As restated in interim financial statements for the 9 months ended 30 September 2018 RM
Assets			
Property development costs	13,196,690	(475,453)	12,721,237
Other current assets	2,137,502	715,999	2,853,501
	<u>15,334,192</u>		<u>15,574,738</u>
Equity			
Retained profits	<u>292,540,634</u>	240,546	<u>292,781,180</u>

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

A2. Significant Accounting Policies (cont'd.)

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 comprehensive income (increase/(decrease)) for the 9 months ended 30 September 2017:

	Note	RM
Revenue	(ii)	(1,869)
Operating expenses	(i)	892
Administrative expenses	(ii)	7,111
Profit for the period		<u>(9,872)</u>
Attributable to:		
Owners of the Company		<u>(9,872)</u>

(i) 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.

(ii) 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.

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

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

The Group revised the estimated useful lives of certain plant and machinery and motor vehicles from 5 to 10 years to 8 years with effect from 1 July 2018. The revision were accounted for as a change in estimates and as a result, the depreciation charges for the current quarter have been increased by RM2.334 million.

There were no other 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 2017, which was approved at the Annual General Meeting on 30 May 2018, was paid on 17 August 2018 to shareholders whose names appear in the Record of Depositors on 31 July 2018.

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

A8. Profit from operating activities

	Current Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM (Restated)
The following items have been included in arriving at profit from operating activities:				
Amortisation of quarry extraction exclusive right	-	22,316	-	66,945
Bad debts (written back)/written off	-	(16,487)	-	(16,487)
Total depreciation	5,453,956	3,040,371	11,625,231	9,265,863
Depreciation capitalised under construction costs	(1,411,652)	(387,276)	(2,117,866)	(1,270,549)
Depreciation charged to profit from operating activities	4,042,304	2,653,095	9,507,365	7,995,314
Dividend income from available-for-sale investments	(88,722)	(239,819)	(451,781)	(679,820)
Fair value changes on available-for-sale investments	(10,066)	(15,083)	(7,080)	(77,685)
Gain on derecognition of financial liabilities	-	-	(4,611,689)	-
Gain on disposal of :				
- investment in a subsidiary	-	(16,535)	-	(16,535)
- investment properties	-	-	-	(238,922)
- property, plant and equipment, net	(244,806)	(248,629)	(643,953)	(524,025)
Loss/(Gain) on foreign exchange				
- realised	41,959	63,507	259,425	118,404
- unrealised	(25,096)	914,776	20,551	3,058,624
Property, plant and equipment written off (Write back of)/Provision for impairment loss on trade and other receivables	4,270	7,836	5,147	332,298
Impairment of assets	(538,796)	84,616	(284,105)	75,913
Inventories written off	N/A	N/A	N/A	N/A
Gain on derivatives	-	223,403	-	223,403
	N/A	N/A	N/A	N/A

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

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 30 September 2018							
Revenue	7,483,988	27,149,380	18,684,115	7,035,999	2,956,590	345,245	63,655,317
Inter-segment sales	(6,130,609)	(3,020,458)	(131,998)	-	(269)	(260,299)	(9,543,633)
External sales	1,353,379	24,128,922	18,552,117	7,035,999	2,956,321	84,946	54,111,684
Results							
Segment results	833,067	(627,860)	1,341,117	931,986	932,284	9,004	3,419,598
Interest expense	(726,037)	(89,187)	(22,419)	(4,510)	(85,801)	-	(927,954)
Share of profits from associates	-	-	-	4,161	-	-	4,161
Profit before tax	107,030	(717,047)	1,318,698	931,637	846,483	9,004	2,495,805
Income tax expense	(19,416)	548,945	(453,889)	68,854	(239,661)	(190)	(95,357)
Profit for the period							<u>2,400,448</u>
Total Assets							
Segment assets	245,599	(1,527,174)	613,773	(7,004,832)	(572,099)	(65,331)	(8,310,064)
Interest in associate							4,163
Unallocated corporate assets							9,710,012
Total assets							<u>1,404,111</u>
Total liabilities							
Segment liabilities	(1,100,905)	(2,769,305)	924,017	7,261,261	54,354	33,568	4,402,990
Unallocated corporate liabilities							(1,012,227)
Total liabilities							<u>3,390,763</u>
Other information							
Capital expenditure	27,980	329,373	387,454	1	61,357	-	806,165

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Current quarter 3 months
ended 30 September 2017
(Restated)

	Investment RM	Construction RM	Manufacturing RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	8,743,276	29,320,606	13,819,153	6,608,226	3,067,927	1,671,807	63,230,995
Inter-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	6,608,226	3,067,725	1,185,358	52,664,480
Results							
Segment results	807,822	395,323	1,077,010	1,809,611	759,440	194,590	5,043,796
Interest expense	(744,063)	(60,600)	(33,061)	(244,188)	(37,826)	-	(1,119,738)
Profit before tax	63,759	334,723	1,043,949	1,565,423	721,614	194,590	3,924,058
Income tax expense	(25,750)	89,768	(340,119)	(461,033)	(200,589)	(28,896)	(966,619)
Profit for the period							<u>2,957,439</u>
Total Assets							
Segment assets	(5,603,646)	(3,235,733)	193,955	(7,102,779)	(84,970)	1,185,335	(14,647,838)
Unallocated corporate assets							14,275,340
Total assets							<u>(372,498)</u>
Total liabilities							
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>
Other information							
Capital expenditure	-	36,944	861,016	14,224	3,009,372	-	3,921,556

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

**Cumulative quarter 9 months
ended 30 September 2018**

	Investment RM	Construction RM	Manufacturing RM	Property development RM	Utilities RM	Others RM	Total RM
Revenue							
Total revenue	16,197,451	91,904,833	52,294,252	12,884,006	8,815,976	1,090,463	183,186,981
Inter-segment sales	(12,394,738)	(8,290,195)	(3,928,720)	-	(887)	(609,267)	(25,223,807)
External sales	3,802,713	83,614,638	48,365,532	12,884,006	8,815,089	481,196	157,963,174
Results							
Segment results	2,405,518	935,418	4,093,835	5,512,730	2,577,123	84,437	15,609,061
Interest expense	(2,129,730)	(166,695)	(74,959)	(1,595,381)	(236,193)	-	(4,202,958)
Share of profits from associates	-	-	-	4,161	-	-	4,161
Profit before tax	275,788	768,723	4,018,876	3,921,510	2,340,930	84,437	11,410,264
Income tax expense	(51,726)	(449,475)	(638,837)	(553,706)	(553,073)	(12,887)	(2,259,704)
Profit for the period							<u>9,150,560</u>
Total Assets							
Segment assets	145,310,718	120,596,787	76,370,658	138,822,588	64,143,637	3,380,761	548,625,149
Interest in associate							4,163
Unallocated corporate assets							21,609,027
Total assets							<u>570,238,339</u>
Segment liabilities	55,712,452	52,395,867	9,098,677	29,515,226	13,041,644	59,719	157,339,680
Unallocated corporate liabilities							4,107,225
Total liabilities							<u>161,446,905</u>
Other information							
Capital expenditure	27,980	895,784	2,267,513	38,338	1,138,349	13,472	4,381,436

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

A9. Segmental reporting (cont'd.)

Business Segments (cont'd.)

Cumulative quarter 9 months
ended 30 September 2017
(Restated)

	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	16,109,529	9,529,216	5,398,682	176,573,476
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	16,109,529	9,528,116	3,371,567	157,503,587
Results							
Segment results	2,805,798	2,100,323	3,852,922	2,145,575	1,831,757	512,948	13,249,323
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	3,773,382	1,328,048	1,736,257	512,452	9,807,132
Income tax expense	(83,382)	146,620	(1,153,272)	(502,650)	(571,250)	(101,213)	(2,265,147)
Profit for the period							<u>7,541,985</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							42,810,333
Total assets							<u>636,256,225</u>
Segment liabilities							
Unallocated corporate liabilities	60,843,313	71,012,229	7,946,910	75,114,671	10,538,102	606,694	226,061,919
Total liabilities							<u>3,147,017</u>
Other information							
Capital expenditure	26,860	1,028,873	6,684,156	71,551	5,249,530	566	13,061,536

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 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.

A12. Changes in Contingent Liabilities and Assets

(a) Contingent Liabilities

	As at 30 September	
	2018	2017
	RM	RM
		(Restated)
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	118,178,672	141,862,689
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	643,943	1,222,051
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	2,800,000
	121,622,615	145,884,740

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 30 September		Cumulative Quarter 9 months ended 30 September	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM (Restated)
Architect fees accrued to Arkitek Ding Poi Kooi	-	-	(295,987)	(498,995)
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	(1,043)	(1,527)	(2,019)	(6,929)
Purchase of property, plant and equipment from Lee Koon Hian	-	-	(1)	-
Rental of building paid to Ipoh Tower Sdn Bhd	-	(13,200)	-	(39,600)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(5,800)	(5,400)	(18,100)	(17,500)
Sale of materials to Total Resilience Sdn Bhd	-	429,076	-	676,099
Sale commission received from Yu Shuen Development Sdn Bhd	17,400	-	17,400	-
Supply of electricity by Ipoh Tower Sdn Bhd	(18,782)	(19,230)	(54,050)	(62,287)

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.

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

A14. Capital Commitments

**As at
30 September 2018
RM**

Approved and contracted for:
Property, plant and equipment

1,916,500

A15. Operating lease commitments - as lessor

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

**As at
30 September 2018
RM**

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

5,006,132

5,317,777

10,323,909

B. Additional information required by BMSB's Listing Requirements

B1. Operating Segment Review

(a) Review of Performance for 3Q18 vs 3Q17

The Group recorded revenue of RM54.112 million for the current quarter ended 30 September 2018 (3Q18), increased by RM1.448 million (or 2.7%), as compared to the revenue of RM52.664 million for the corresponding quarter ended 30 September 2017 (3Q17). Despite the higher revenue, the Group has recorded a lower pre-tax profit of RM2.496 million for 3Q18, decreased by RM1.428 million (or 36.4%) as compared to the pre-tax profit of RM3.924 million for 3Q17. The higher revenue and lower pre-tax profit of the Group can be analysed as below:-

3Q18 vs 3Q17

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	(264)	43
Construction	(2,458)	(1,052)
Manufacturing	4,953	275
Property development	428	(634)
Utilities	(111)	125
Others	(1,100)	(185)
	<u>1,448</u>	<u>(1,428)</u>

(b) Review of Performance to date for FY18 vs FY17

The Group recorded revenue of RM157.963 million for the financial year to date ended 30 September 2018 (FY18), increased by RM0.459 million (or 0.3%), as compared to the revenue of RM157.504 million for the corresponding financial year to date ended 30 September 2017 (FY17). The Group also recorded a higher pre-tax profit of RM11.410 million, increased by RM1.603 million (or 16.3%) as compared to the pre-tax profit of RM9.807 million for FY17. The higher revenue and pre-tax profit of the Group can be analysed as below:-

FY18 vs FY17

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	(1,204)	(304)
Construction	3,697	(1,108)
Manufacturing	4,795	245
Property development	(3,226)	2,593
Utilities	(713)	605
Others	(2,890)	(428)
	<u>459</u>	<u>1,603</u>

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

B1. Operating Segment Review (cont'd.)

Investment

External revenue of the investment segment is derived mainly from investment properties. The lower revenue in FY18 was due to a drop in occupancy rate as a result of the expiry of certain tenancy agreements, of which certain units were partially untenanted during the current quarter under review, and also a reduction in rental rate.

Included in the pre-tax profit of the investment segment of RM0.276 million (FY17 : RM0.580 million) were gain on foreign exchange of RM0.218 million (FY17 : loss on foreign exchange of RM0.442 million), compensation received from former tenant of RM0.500 million (FY17 : RMNil) and gain on disposal of investment properties of RMNil (FY17 : RM0.239 million). If these exceptional gains/(loss) were excluded from pre-tax profit, the investment segment would have recorded a loss of RM0.442 million for FY18 versus a profit of RM0.783 million for FY17 as a result of the drop in revenue.

Construction

The construction segment has recorded a lower pre-tax profit of RM0.769 million (FY17 : RM1.877 million) despite achieving a higher turnover of RM83.615 million as compared to the previous year corresponding period of RM79.918 million.

The higher revenue did not translated into a higher profit due to the ever rising operational and administrative costs of undertaking in this competitive construction market where profit margin remains thin. For the current financial year to date under review, the profit contributed was from the on-going projects as compared to the previous year corresponding period that partly contributed from sale of inventories which yielded higher profit margin.

The lower profit was further imparted by the higher depreciation charges of RM6.038 million (FY17 : RM4.925 million) as a result of the revision of estimated useful life of certain types of plant and machinery and motor vehicles with effect from 3Q18.

Included in the pre-tax profit for FY18 was also loss on foreign exchange of RM0.227 million (FY17 :

Manufacturing

For the current financial year to date, the manufacturing segment recorded a higher pre-tax profit of RM4.019 million (FY17 : RM3.773 million) on a higher turnover of RM48.366 million as compared to RM43.570 million in the previous year corresponding period.

The profit margin remained consistent despite of the increase in depreciation charges of RM0.702 million as a result of the revision in the estimated useful life of certain types of plant and machinery and motor vehicles with effect from 3Q18. This was mainly due to no exceptional losses recorded in the current quarter under review as compared to the previous year corresponding quarter which included property, plant and equipment written off of RM0.324 million and inventory written off of RM0.223 million.

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

B1. Operating Segment Review (cont'd.)

Property Development

The property development segment continued to record lower revenue of RM12.884 million as compared to RM16.110 million in the previous year corresponding period.

Despite a lower revenue, the property development segment has recorded a higher pre-tax profit of RM3.922 million (FY17 : RM1.328 million) mainly due to a gain on derecognition of financial liabilities of RM4.612 million (FY17 : Nil) and the amortisation of interest expense on long term payables of RM1.591 million (FY17 : Nil). If these were excluded from the pre-tax profit, the property development segment would have recorded a pre-tax profit of RM0.901 million for FY18 versus a profit of RM1.328 million for FY17 as a result of a drop in revenue.

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 utilities segment has recorded a higher pre-tax profit of RM2.341 million (FY17 : RM1.736 million) on a lower revenue of RM8.815 million (FY17 : RM9.528 million) as compared to the previous year corresponding period. The higher pre-tax profit was mainly due to lower loss on foreign exchange of RM0.271 million (FY17 : RM1.630 million), partially off-set by the increase in finance cost of RM0.236 million (FY17 : RM0.096 million). The profit margin remained consistent.

Others

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

This segment has recorded a lower pre-tax profit of RM0.084 million (FY17 : RM0.512 million) on the back of lower revenue of RM0.481 million (FY17 : RM3.371 million). The lower revenue was mainly due to lower trading sale.

B2. Variance of Results Against Preceding Quarter

	Current Quarter 30 September 2018 RM'000	Immediate Preceding Quarter 30 June 2018 RM'000	Changes Amount RM'000
Revenue	54,112	55,866	(1,754)
Pre-tax profit	2,496	9,288	(6,792)

The Group has maintained a fairly consistent revenue for both 3Q18 and 2Q18. The lower pre-tax profit for 3Q18 of RM2.496 million as compared to 2Q18 of RM9.288 million was mainly due to higher depreciation charges of RM5.454 million (2Q18 : RM3.122 million), gain on derecognition of financial liabilities of RMNil (2Q18 : RM4.612 million), the amortisation of interest expense on long term payables of RMNil (2Q18 : RM0.775 million), compensation received from former tenant of RMNil (2Q18 : RM0.500 million), reversal of impairment of loss on receivables of RM0.539 million (2Q18 : impairment loss on receivables of RM0.407 million) and loss on foreign exchange of RM0.017 million (2Q18 : gain on foreign exchange of RM1.100 million).

B3. Prospects

2018 is expected to be another flat and challenging period for the property market. The key issues i.e. 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 global market, 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. The Group is forward looking in overcoming the ever challenges in the construction industry such as the focus in maintaining cost efficiency and etc. The Group also concentrating in completing the current projects on hand with efficient management.

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 30 September		Cumulative Quarter 9 months ended 30 September	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM (Restated)
Current income tax:				
Malaysia income tax	730,342	987,000	2,970,083	2,932,676
Under/(Over) provision in prior year	187,843	(71,004)	187,870	(70,956)
	<u>918,185</u>	<u>915,996</u>	<u>3,157,953</u>	<u>2,861,720</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	(533,100)	6,697	(571,145)	(641,203)
(Over)/Under provision in prior year	(289,728)	43,926	(327,104)	44,630
	<u>(822,828)</u>	<u>50,623</u>	<u>(898,249)</u>	<u>(596,573)</u>
Income tax expense	<u>95,357</u>	<u>966,619</u>	<u>2,259,704</u>	<u>2,265,147</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.

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

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:

	Current Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2018	2017	2018	2017
	RM	RM (Restated)	RM	RM (Restated)
Profit before tax	2,495,805	3,924,058	11,410,264	9,807,132
Taxation at applicable tax rates	598,929	943,263	2,738,463	2,353,712
Income not subject to tax	(499,622)	(494,737)	(1,268,345)	(1,454,358)
Expenses not deductible for tax purposes	328,074	666,971	1,464,176	1,768,243
Difference in tax rate of foreign subsidiaries	(42,662)	(40,118)	(105,344)	(114,249)
Difference in tax rate	184	(20,257)	(11,867)	(20,257)
Unutilised tax losses recognised as deferred tax assets in current year	(9,378)	-	(9,378)	-
Deferred tax assets not recognised	1,960	(1,011)	2,382	4,796
Utilisation of previously unrecognised deferred tax assets	(210,117)	(60,414)	(441,023)	(246,414)
Withholding tax paid	29,587	-	29,587	-
Current year tax loss that cannot be carried forward	287	-	287	-
Over provision of current tax in prior years	187,843	(71,004)	187,870	(70,956)
Under provision of deferred tax in prior years	(289,728)	43,926	(327,104)	44,630
Income tax expense	95,357	966,619	2,259,704	2,265,147

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.

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

B6. Borrowing and Debt Securities

	As at 30 September	
	2018	2017
	RM	RM (Restated)
Short term borrowings		
Bank overdrafts (unsecured)	7,915,177	-
Bank overdrafts (secured)	4,785,778	2,802,907
Bankers' acceptances (unsecured)	2,019,000	2,117,000
Hire purchase liabilities (secured)	2,162,511	2,853,297
Revolving credits (unsecured)	1,500,000	1,800,000
Revolving credits (secured)	3,000,000	3,000,000
Term loans (secured)	6,000,004	8,025,004
	<u>27,382,470</u>	<u>20,598,208</u>
Long term borrowings		
Hire purchase liabilities (secured)	1,086,229	3,421,535
Term loans (secured)	57,299,209	64,270,032
	<u>58,385,438</u>	<u>67,691,567</u>
Total borrowings	<u>85,767,908</u>	<u>88,289,775</u>

Loan and borrowings are denominated in the following currencies:

	As at 30 September	
	2018	2017
	RM	RM (Restated)
Ringgit Malaysia	80,982,130	85,486,868
Lao Kip	4,785,778	2,802,907
	<u>85,767,908</u>	<u>88,289,775</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.

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

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 30 September		Cumulative Quarter 9 months ended 30 September	
	2018	2017	2018	2017
	RM	RM (Restated)	RM	RM (Restated)
Profit attributable to owners of the Company	2,149,122	2,717,637	8,523,810	6,860,389
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	2.32	2.93	9.20	7.40

(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.

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 RM17.22 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.

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

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 30 September 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 measured 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)	43,433	-	-
- Unit trust fund (quoted)	-	13,712,490	-
- Short term investments with a licensed bank (unquoted)	-	2,000,000	-
	<hr/>	<hr/>	<hr/>
Financial liabilities			
Other commitments	-	2,800,786	-
	<hr/>	<hr/>	<hr/>

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.