

**Condensed Consolidated Statement of Comprehensive Income**  
**For the quarter and 3 months ended 31 March 2019 - unaudited**

Note	Current Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	37,042,721	47,985,526	37,042,721	47,985,526
Interest income	206,992	201,333	206,992	201,333
Other income	1,855,292	1,862,672	1,855,292	1,862,672
Operating expenses	(26,846,535)	(40,028,424)	(26,846,535)	(40,028,424)
Changes in work-in-progress and finished goods	209,015	1,764,406	209,015	1,764,406
Employee benefit expenses	(5,154,652)	(5,187,975)	(5,154,652)	(5,187,975)
Administrative expenses	(3,820,687)	(5,321,927)	(3,820,687)	(5,321,927)
<b>Profit from operating activities</b>	<b>A8 3,492,146</b>	<b>1,275,611</b>	<b>3,492,146</b>	<b>1,275,611</b>
Interest expense	(796,115)	(1,649,237)	(796,115)	(1,649,237)
Share of losses from associates	(20,181)	-	(20,181)	-
<b>Profit/(Loss) before tax</b>	<b>2,675,850</b>	<b>(373,626)</b>	<b>2,675,850</b>	<b>(373,626)</b>
Income tax expense	(699,405)	(352,654)	(699,405)	(352,654)
<b>Profit/(Loss) for the period, net of tax</b>	<b>1,976,445</b>	<b>(726,280)</b>	<b>1,976,445</b>	<b>(726,280)</b>
<b>Other comprehensive income, net of tax</b>				
Items that will be reclassified to profit or loss in the future:				
Foreign currency translation differences for foreign operations	(812,282)	(1,882,980)	(812,282)	(1,882,980)
<b>Other comprehensive income for the period, net of tax</b>	<b>(812,282)</b>	<b>(1,882,980)</b>	<b>(812,282)</b>	<b>(1,882,980)</b>
<b>Total comprehensive income for the period</b>	<b>1,164,163</b>	<b>(2,609,260)</b>	<b>1,164,163</b>	<b>(2,609,260)</b>
<b>Profit/(Loss) for the period attributable to:</b>				
Owners of the Company	1,844,633	(817,011)	1,844,633	(817,011)
Non-controlling interests	131,812	90,731	131,812	90,731
<b>Profit/(Loss) for the period</b>	<b>1,976,445</b>	<b>(726,280)</b>	<b>1,976,445</b>	<b>(726,280)</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	1,203,835	(2,320,964)	1,203,835	(2,320,964)
Non-controlling interests	(39,672)	(288,296)	(39,672)	(288,296)
<b>Total comprehensive income for the period</b>	<b>1,164,163</b>	<b>(2,609,260)</b>	<b>1,164,163</b>	<b>(2,609,260)</b>
Basic/Diluted, earnings/(loss) per ordinary share (sen)	1.99	(0.88)	1.99	(0.88)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2018 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 2019 - unaudited**

	31 March 2019 RM	31 December 2018 RM
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	124,160,949	128,510,865
Land held for property development	88,379,159	86,668,315
Investment properties	116,690,000	116,690,000
Interest in associates	237,903	258,085
Long term investments	35,213	36,926
Trade and other receivables	3,519,287	3,450,640
Deferred tax assets	4,607,872	4,721,872
<b>Total non-current assets</b>	<u>337,630,383</u>	<u>340,336,703</u>
<b>Current Assets</b>		
Property development costs	4,431,242	4,928,360
Inventories	63,078,173	66,047,112
Trade and other receivables	75,218,850	84,678,108
Other current assets	2,844,500	960,604
Short term investments	45,936,940	31,561,084
Tax recoverable	1,699,570	1,137,409
Cash and cash equivalents	33,151,827	40,440,685
<b>Total current assets</b>	<u>226,361,102</u>	<u>229,753,362</u>
<b>TOTAL ASSETS</b>	<u>563,991,485</u>	<u>570,090,065</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	101,883,643	101,883,643
Retained profits	296,716,458	294,871,825
Reserves	1,533,238	2,174,036
<b>Equity attributable to owners of the Company</b>	<u>400,133,339</u>	<u>398,929,504</u>
<b>Non-controlling interests</b>	<u>9,327,876</u>	<u>9,367,548</u>
<b>Total equity</b>	<u>409,461,215</u>	<u>408,297,052</u>
<b>Non-Current Liabilities</b>		
Loans and borrowings	54,775,953	56,206,385
Other payables	2,122,026	2,306,526
Deferred tax liabilities	3,053,154	2,876,168
<b>Total non-current liabilities</b>	<u>59,951,133</u>	<u>61,389,079</u>
<b>Current Liabilities</b>		
Loans and borrowings	17,392,002	19,092,452
Trade and other payables	63,175,773	68,662,134
Other current liabilities	13,243,412	11,524,223
Tax payable	767,950	1,125,125
<b>Total current liabilities</b>	<u>94,579,137</u>	<u>100,403,934</u>
<b>Total liabilities</b>	<u>154,530,270</u>	<u>161,793,013</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>563,991,485</u>	<u>570,090,065</u>
Net assets per share attributable to owners of the Company (RM)	<u>4.32</u>	<u>4.30</u>

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2018 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 2019 - unaudited**

	Attributable to owners of the Company		Attributable to owners of the Company		Distributable		Total Equity RM		
	Share capital RM	Foreign currency translation reserve RM	Non distributable	Other reserve RM	Retained profits RM	Non- controlling Interests RM			
		Asset revaluation reserve RM	Charter capital reserve RM						
<b>3 months ended 31 March 2019</b>									
<b>Balance at 1 January 2019</b>	101,883,643	(1,583,043)	1,157,522	3,026,004	(426,447)	294,871,825	398,929,504	9,367,548	408,297,052
Total comprehensive income for the period	-	(640,798)	-	-	-	1,844,633	1,203,835	(39,672)	1,164,163
<b>Balance at 31 March 2019</b>	101,883,643	(2,223,841)	1,157,522	3,026,004	(426,447)	296,716,458	400,133,339	9,327,876	409,461,215
<b>3 months ended 31 March 2018</b>									
<b>Balance at 1 January 2018</b>	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)
<b>Balance at 31 March 2018</b>	101,883,643	(3,236,871)	1,157,522	-	-	291,297,176	391,101,470	8,065,316	399,166,786

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2018 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 2019 - unaudited**

	3 months ended 31 March	
	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation :	2,675,850	(373,626)
Adjustments for :-		
Depreciation	2,438,307	3,049,684
Dividend income from short term investments	(249,554)	(203,726)
Fair value changes on long/short term investments	1,713	14,972
Gain on disposal of property, plant and equipment, net	(1,102,254)	(194,799)
Interest expense	803,699	2,104,532
Interest income	(206,992)	(201,333)
Property, plant and equipment written off	10,829	25
Share of losses of associates	20,181	-
Impairment/(Write back of impairment) loss on trade and and other receivables	218,160	(152,085)
Unrealised loss on foreign exchange	204,760	1,140,464
Operating profit before changes in working capital	<u>4,814,699</u>	<u>5,184,108</u>
Changes in working capital:-		
Net changes in current assets	10,403,990	6,991,118
Net changes in current liabilities	<u>(3,162,335)</u>	<u>(5,610,158)</u>
Cash flows from operations	12,056,354	6,565,068
Interest paid	(116,257)	(110,239)
Interest received	85,105	129,057
Taxes paid	<u>(1,314,231)</u>	<u>(1,277,385)</u>
Net cash flows from operating activities	<u>10,710,971</u>	<u>5,306,501</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	315,401	45,548
Land held for property development	(1,560,428)	(656,958)
Net dividend received from short term investments	249,554	203,726
Proceeds from disposal of:		
- short term investments	21,118,000	23,415,455
- property, plant and equipment	2,878,001	700,240
Purchase of:		
- short term investments	(35,493,856)	(16,000,360)
- property, plant and equipment	(847,005)	(1,138,421)
Placement of deposits with maturity period more than 3 months	(3,334)	(12,068)
Withdrawal of deposits with maturity period more than 3 months	193,560	-
Net cash flows (used in)/from investing activities	<u>(13,150,107)</u>	<u>6,557,162</u>

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

(Incorporated in Malaysia)

**Condensed Consolidated Statement of Cash Flows (cont'd.)  
For the 3 months ended 31 March 2019 - unaudited**

	3 months ended 31 March	
	2019 RM	2018 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interest	(382,206)	-
Interest paid	(843,581)	(916,177)
Repayment of term loan	(3,250,001)	(2,001,962)
Repayment of hire purchase liabilities	(1,189,157)	(962,304)
Net cash flows used in financing activities	<u>(5,664,945)</u>	<u>(3,880,443)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(8,104,081)	7,983,220
<b>Effects of exchange rate differences</b>	160,392	483,435
<b>Cash and cash equivalents at beginning of the period</b>	25,518,976	31,278,695
<b>Cash and cash equivalents at end of the period</b>	<u>17,575,287</u>	<u>39,745,350</u>

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

Cash and bank balances	11,574,581	21,538,987
Deposits with licensed banks	21,577,246	31,621,830
Bank overdrafts	<u>(6,354,207)</u>	<u>(4,642,487)</u>
	26,797,620	48,518,330
Less:		
Deposits with maturity period more than 3 months	<u>(9,222,333)</u>	<u>(8,772,980)</u>
	<u>17,575,287</u>	<u>39,745,350</u>

*The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited Financial Statements for the year ended 31 December 2018 and the accompanying notes attached to the Interim Financial Statements.*

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

(Incorporated in Malaysia)

### **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 2018. 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 2018.

#### **A2. Significant 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 2018 except as follows:

On 1 January 2019, the Group adopted the following applicable amended MFRSs mandatory for annual financial period beginning on or after 1 January 2019.

Annual Improvements to MFRS Standards 2015 – 2017 Cycle

- (i) Amendments to MFRS 3 : Previously Held Interest in a Joint Operation
- (ii) Amendments to MFRS 11 : Previously Held Interest in a Joint Operation
- (iii) Amendments to MFRS 112 : Income Tax Consequences of Payments on Financial Instruments  
Classified as Equity
- (iv) Amendments to MFRS 123 : Borrowing Costs Eligible for Capitalisation

IC Interpretation 23 : Uncertainty over Income Tax Treatments

Amendments to MFRS 9 : Prepayment Features with Negative Compensation

Amendments to MFRS 119 : Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128 : Long-term Interests in Associates and Joint Ventures

MFRS 16: Leases

Adoption of the above standards did not have any effect on the financial performance or position of the Group.

#### **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.

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

(Incorporated in Malaysia)

**A. Notes to the Interim Financial Statements (cont'd.)****A6. Debt and Equity Securities**

There were no issuances, repurchases and repayments of debt and equity securities, share buy-back and share held as treasury shares during the current quarter.

**A7. Dividend Paid**

No dividend has been paid during the current quarter.

**A8. Profit from operating activities**

Curret quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
2019	2018	2019	2018
RM	RM	RM	RM

The following items have been included in arriving at profit from operating activities:

Total depreciation	2,438,307	3,049,684	2,438,307	3,049,684
Depreciation capitalised under construction costs	(403,073)	(356,804)	(403,073)	(356,804)
Depreciation charged to profit from operating activities	2,035,234	2,692,880	2,035,234	2,692,880
Dividend income from short term investments	(249,554)	(203,726)	(249,554)	(203,726)
Fair value changes on long/short term investments	1,713	14,972	1,713	14,972
Gain on disposal of property, plant and equipment	(1,102,254)	(194,799)	(1,102,254)	(194,799)
Loss on foreign exchange :				
- realised	17,057	53,066	17,057	53,066
- unrealised	204,760	1,140,464	204,760	1,140,464
Property, plant and equipment written off	10,829	25	10,829	25
Impairment/(Write back of impiarment) loss on trade and other receivables	218,160	(152,085)	218,160	(152,085)
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

**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	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
<b>Current quarter 3 months ended 31 March 2019</b>							
<b>Revenue</b>							
Total revenue	1,640,593	14,074,168	12,081,387	8,032,676	2,866,543	1,023,379	39,718,746
Inter-segment sales	143,208	1,438,988	837,436	-	271	256,122	2,676,025
External sales	1,497,385	12,635,180	11,243,951	8,032,676	2,866,272	767,257	37,042,721
<b>Results</b>							
Segment results	542,526	932,405	405,094	999,726	535,807	76,588	3,492,146
Interest expense	(647,611)	(16,019)	(36,255)	-	(96,230)	-	(796,115)
Share of losses from associates	-	-	-	(20,181)	-	-	(20,181)
(Loss)/Profit before taxation	(105,085)	916,386	368,839	979,545	439,577	76,588	2,675,850
Income tax expense	(1,063)	(169,228)	(166,996)	(167,477)	(172,940)	(21,701)	(699,405)
Profit for the period							<u>1,976,445</u>
<b>Total Assets</b>							
Segment assets	135,902,863	109,884,978	74,797,423	125,075,617	62,055,224	3,757,882	511,473,987
Interest in associates							237,903
Unallocated corporate assets							52,279,595
Total assets							<u>563,991,485</u>
<b>Total Liabilities</b>							
Segment liabilities	53,363,361	58,308,979	7,412,538	21,050,107	10,351,917	222,264	150,709,166
Unallocated corporate liabilities							3,821,104
Total liabilities							<u>154,530,270</u>
<b>Other Information</b>							
Capital expenditure	8,719	9,500	329,480	33,683	465,623	-	847,005



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

(Incorporated in Malaysia)

**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	Quarry RM	Property development RM	Utilities RM	Others RM	Total RM
<b>Current quarter 3 months ended 31 March 2018</b>							
<b>Revenue</b>							
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
<b>Results</b>							
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							<u>(726,280)</u>
<b>Total Assets</b>							
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							<u>636,937,295</u>
<b>Total Liabilities</b>							
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							<u>237,770,509</u>
<b>Other Information</b>							
Capital expenditure	-	-	951,985	3,597	434,656	12,783	1,403,021

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

(Incorporated in Malaysia)

**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 Composition of the Group**

There are no changes in composition of the Group for the current quarter.

**A12. Changes in Contingent Liabilities and Assets****(a) Contingent Liabilities**

	As at 31 March	
	2019 RM	2018 RM
Unsecured:		
Corporate guarantees given to banks for facilities granted to subsidiaries	103,378,181	116,435,663
Corporate guarantees given to third parties for credit facilities granted to subsidiaries	518,719	757,491
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
	<u>106,696,900</u>	<u>119,993,154</u>

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 2018.

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

(Incorporated in Malaysia)

**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	
	2019 RM	2018 RM	2019 RM	2018 RM
Architect fees payable to Arkitek Ding Poi Kooi	-	(164,590)	-	(164,590)
Purchase of consumables from DKLS Service Station	(2,397)	(541)	(2,397)	(541)
Rental of car park paid to Aplikasi Budimas Sdn Bhd	(6,390)	(6,300)	(6,390)	(6,300)
Supply of electricity by Ipoh Tower Sdn Bhd	(19,537)	(17,317)	(19,537)	(17,317)

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 2019 RM
Approved and contracted for: Property, plant and equipment	-

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

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

	As at 31 March 2019 RM
Not later than 1 year	4,654,612
Later than 1 year but not later than 5 years	4,436,369
	<u>9,090,981</u>

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

(Incorporated in Malaysia)

**B. Additional information required by BMSB's Listing Requirements****B1. Operating Segment Review****Review of Performance for 1Q19 vs 1Q18**

The Group recorded a revenue of RM37.043 million for the first quarter ended 31 March 2019 (1Q19), decreased by RM10.943 million (or 23%) as compared to the revenue of RM47.986 million for the corresponding quarter ended 31 March 2018 (1Q18). For 1Q19, the Group recorded a pre-tax profit of RM2.675 million as compared to a pre-tax loss of RM0.374 million for 1Q18. The drop in revenue and the increase in the pre-tax profit of the Group can be analysed as below:-

**1Q19 vs 1Q18**

Increase/(Decrease)	Revenue RM'000	Pre-tax profit RM'000
Investment	310	681
Construction	(17,358)	(111)
Quarry	(1,410)	(223)
Property development	6,861	2,539
Utilities	133	142
Others	521	21
	<u>(10,943)</u>	<u>3,049</u>

**Investment**

External revenue of the investment segment is derived mainly from investment properties. The higher revenue was achieved in 1Q19 as a result of the investment property was fully tenanted in 1Q19 as compared to 70% occupancy in 1Q18.

On the back of higher revenue, the investment segment managed to reduce its pre-tax loss to RM0.105 million from a pre-tax loss of RM0.786 million in the corresponding quarter. The pre-tax loss was further reduced by the lower unrealised loss on foreign exchange of RM0.121 million (1Q18 : RM0.477).

**Construction**

For the current quarter under review, the construction segment achieved a lower pre-tax profit of RM0.916 million (1Q18 : RM1.027 million) as a result of lower revenue of RM12.635 million (1Q18 : RM29.993 million).

The construction segment recorded a higher margin for the current quarter as compared to the corresponding quarter mainly due to the unrealised loss on foreign exchange of RMNil (1Q18 : RM0.567 million) and lower depreciation charges of RM0.529 million (1Q18 : RM1.224 million). If these were excluded from the pre-tax profit, the construction segment would have recorded a consistent margin.

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

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

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

##### **Quarry**

The quarry segment has recorded a lower pre-tax profit of RM0.368 million (1Q18 : RM0.591 million) on a lower revenue of RM11.244 million (1Q18 : RM12.654 million) for the current quarter under review.

Generally, the overall profit margin was affected by the non operational profits i.e. gains arising from the disposal of property, plant and equipment of RM0.091 million (1Q18 : RM0.220 million). If this was excluded from the pre-tax profit, the quarry segment's profit margin remained consistent.

##### **Property Development**

With the more aggressive and innovative sale promotion and marketing campaigns, the property development segment for the current quarter had showed a better result with a turnover of RM8.033 million as compared to RM1.171 million in the corresponding quarter.

As a results, the property development segment achieved a pre-tax profit of RM0.980 million in the current quarter, a turnaround of a pre-tax loss of RM1.559 million recorded in the corresponding quarter. The non recurrent expenses i.e. the amortisation of interest expenses on long term payable (1Q19: RMNil vs 1Q18 : RM0.815 million) also contributed to the current quarter's pre-tax profit.

##### **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.

Utilities segment has recorded a higher pre-tax profit of RM0.440 million (1Q18 : RM0.298 million) as a results of higher turnover of RM2.866 million (1Q18 : RM2.734 million) for the current quarter under review.

##### **Others**

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

This segment has recorded a slight pre-tax profit of RM0.077 million as compared to pre-tax profit of RM0.055 million in the corresponding quarter on the back of higher turnover of RM0.767 million (1Q18 : RM0.247 million).

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

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

	Current Quarter 31 March 2019 RM'000	Immediate Preceding Quarter 31 December 2018 RM'000	Changes Amount RM'000
Revenue	37,043	59,569	(22,526)
Pre-tax profit/(loss)	2,675	(1,062)	3,737

In comparison with the immediate preceding quarter, the Group has recorded a pre-tax profit of RM2.675 million as compared to a pre-tax loss of RM1.062 million (4Q18).

The loss in 4Q18 was mainly due to exceptional items which was non recurrent in 1Q19 i.e. loss arising from the fair value adjustment on investment properties of RMNil (4Q18 : RM6.520 million), interest income from amortisation of trade receivable of RMNil (4Q18 : RM0.926 million). The other fluctuation that contributed to the pre-tax profit in the current quarter were the impairment loss on receivables of RM0.218 million (4Q18 : RM0.491 million), and share of losses from associates of RM0.020 million (4Q18 : share of profits from associates of RM0.254 million). The profit margin for the current quarter under review was fairly consistent as compared to 4Q18's profit margin if the exceptional items mentioned above were excluded from 4Q18 pre-tax loss and taking into consideration the fluctuation in certain expenses and the higher revenue in 4Q18.

#### B3. Prospects

Weak sentiments for property market are expected to continue into 2019 despite the positive initiatives measures roll out by the Government to assist more Malaysian to own first residential property and possible of reducing the unsold residential units from the developers. There was a temporary lull in buying activities after the National Home Ownership Campaign (NHOC) was announced on 2 November 2018 as buyers took the time to check out the best deals available in the market. The 'wait-and-see' attitude also still lingers on as the purchases are awaiting for further positive leads for the property market to recover.

Due to the uncertainties in the property market, the Group will continue to intensify its efforts to drive the sales of its completed properties through more aggressive and innovative sales promotion and marketing campaigns. The Group is monitoring the property market closely and will roll out new launches the moment the property market picks up.

Local construction industry expects to see a slower growth in 2019 due to sluggish property market as well as limited public infrastructure projects taking off due to changes in government policies. The Group will continue to improve its management efficiency, effectiveness and align its strategy to ensure sustainable revenue and profit growth.

Sale of quarry products and related products is expected to remain challenging with more intense competition from the existing and new players, as well as the negative impact of subdued property market. Nevertheless, the Group anticipates that more infrastructure works by the local authority can mitigate the adverse market scenario and working towards in getting more market shares.

Taking into consideration of the above-mentioned and barring unforeseen circumstances, the directors expect the Group's operating environment to remain competitive and challenging and the profitability to be modest for 2019.

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**B. Additional information required by BMSB's Listing Requirements (cont'd.)****B4. Income tax expense**

	Current quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
	2019	2018	2019	2018
	RM	RM	RM	RM
Current income tax:				
Malaysia income tax	273,311	1,233,449	273,311	1,233,449
Foreign tax	135,109	-	135,109	-
	<u>408,420</u>	<u>1,233,449</u>	<u>408,420</u>	<u>1,233,449</u>
Deferred income tax:				
Relating to origination and reversal of temporary differences	271,044	(881,102)	271,044	(881,102)
Under provision in prior years	19,941	307	19,941	307
	<u>290,985</u>	<u>(880,795)</u>	<u>290,985</u>	<u>(880,795)</u>
Income tax expense	<u>699,405</u>	<u>352,654</u>	<u>699,405</u>	<u>352,654</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.

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**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 taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Current quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before taxation	2,675,850	(373,626)	2,675,850	(373,626)
Taxation at applicable tax rates	642,203	(89,649)	642,203	(89,649)
Income not subject to tax	(103,519)	(859,770)	(103,519)	(859,770)
Expenses not deductible for tax purposes	182,753	1,306,501	182,753	1,306,501
Current year tax losses that cannot be carried forward	72	-	72	-
Difference in tax rate of subsidiaries	(27,023)	(24,195)	(27,023)	(24,195)
Deferred tax assets not recognised	-	19,460	-	19,460
Deferred tax on undistributed earnings from foreign subsidiary	37,831	-	37,831	-
Utilisation of previously unrecognised deferred tax assets	(52,853)	-	(52,853)	-
Under provision of deferred tax in prior years	19,941	307	19,941	307
Income tax expense	699,405	352,654	699,405	352,654



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**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**

	<b>As at 31 March 2019</b>	<b>As at 31 December 2018</b>
	<b>RM</b>	<b>RM</b>
<b>Short term borrowings</b>		
Hire purchase liabilities (secured)	2,319,791	2,877,017
Term loans (secured)	5,000,004	7,000,004
Bank overdrafts (secured)	6,354,207	5,382,067
Revolving credits (secured)	3,000,000	3,000,000
Bankers' acceptances (unsecured)	718,000	833,364
	<u>17,392,002</u>	<u>19,092,452</u>
<b>Long term borrowings</b>		
Hire purchase liabilities (secured)	976,746	1,157,177
Term loans (secured)	53,799,207	55,049,208
	<u>54,775,953</u>	<u>56,206,385</u>
<b>Total borrowings</b>	<u>72,167,955</u>	<u>75,298,837</u>

Loan and borrowings are denominated in the following currencies:

	<b>As at 31 March 2019</b>	<b>As at 31 December 2018</b>
	<b>RM</b>	<b>RM</b>
Ringgit Malaysia	65,813,748	69,916,770
Lao Kip	6,354,207	5,382,067
	<u>72,167,955</u>	<u>75,298,837</u>

**B7. Changes in Material Litigation**

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

**B8. Proposed Dividend**

No dividend has been proposed or declared in respect of the current quarter ended 31 March 2019.

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 2018. The dividend was approved by the shareholders at the Annual General Meeting held on 30 May 2019. The dividend is payable on 16 August 2019 to shareholders whose names appear in the Record of Depositors on 31 July 2019.

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**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 31 March		Cumulative quarter 3 months ended 31 March	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) attributable to owners of the Company	1,844,633	(817,011)	1,844,633	(817,011)
Weighted average number of ordinary shares in issue	92,699,600	92,699,600	92,699,600	92,699,600
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Basic earnings per share	1.99	(0.88)	1.99	(0.88)

**(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 2018 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 RM17.49 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.

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**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 31 March 2019:

**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
<b>Non-financial assets:</b>			
Investment properties	-	-	116,690,000
<b>Financial assets:</b>			
Long term/short term investments			
- Equity instruments (quoted)	35,213	-	-
- Unit trust fund (quoted)	-	45,936,940	-
<b>Financial liabilities:</b>			
Other commitments	-	2,669,514	-

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.)**

**Fair value of financial instruments that are carried at fair value (cont'd.)**

**Determination of fair value**

**Investment properties**

Fair value is determined based on valuations at the reporting date. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the comparison and income capitalisation method that makes reference to the recent transaction value.

**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.

Dated : 30 May 2019