

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

Condensed Consolidated Statements of Comprehensive Income

	3 Months Ended		9 Months Ended	
	30.9.2010 RM'000	30.9.2009 RM'000	30.9.2010 RM'000	30.9.2009 RM'000
Revenue	33,298	33,942	105,049	96,579
Operating Expenses	(30,526)	(27,678)	(98,002)	(88,354)
Other Expenses	(44,657)	(298)	(46,311)	(2,107)
Interest Income	316	312	985	952
Other Operating Income	550	1,187	10,895	8,258
Profit/(loss) from Operations	(41,019)	7,466	(27,384)	15,328
Finance costs	(94)	(23)	(285)	(160)
Investing Results	0	0	0	0
Profit/(loss) before tax	(41,113)	7,444	(27,669)	15,168
Tax	7,950	(2,241)	6,013	(3,513)
Net Profit/(loss) for the period	(33,163)	5,202	(21,656)	11,655
Other comprehensive income/(expenses), net of tax				
- Exchange differences on translating foreign operations	(288)	1,029	(2,141)	2,656
- Fair value of available-for-sale financial assets	1,240	0	546	0
Other comprehensive income/(expenses) for the period, net of tax	952	1,029	(1,595)	2,656
Total comprehensive income/(expenses) for the period	(32,211)	6,231	(23,251)	14,310
Profit/(loss) attributable to:				
Owners of the parent	(33,184)	5,644	(22,162)	12,025
Minority Interests	21	(442)	506	(370)
	(33,163)	5,202	(21,656)	11,655
Total comprehensive income/(expenses) attributable to:				
Owners of the parent	(32,385)	6,657	(24,017)	14,318
Minority Interests	174	(426)	766	(8)
	(32,211)	6,231	(23,251)	14,310
Earnings/(loss) per share attributable to equity holders of the parent:				
Basic (sen)	(15.81)	2.69	(10.56)	5.73
Diluted (sen)	(11.42)	1.85	(7.63)	3.93

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

Condensed Consolidated Statements of Financial Position

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	29,875	33,293
Prepaid lease payments	1,126	1,337
Investment properties	29,153	29,393
Land held for property development	47,153	90,531
Available-for-sale financial assets	17,315	18,261
Intangible assets	254	3,161
	124,876	175,976
Current assets		
Inventories	82,328	100,685
Trade and other receivables	45,198	49,381
Assets held for sale	-	11,024
Sinking fund account	1,088	5,152
Available-for-sale financial assets	3,399	2,964
Cash and cash equivalents	64,293	56,957
	196,306	226,163
TOTAL ASSETS	321,182	402,139
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	209,940	209,940
Reserves	(45,327)	(21,423)
Shareholders' Equity	164,613	188,517
Minority interest	(299)	(1,065)
TOTAL EQUITY	164,314	187,452
LIABILITIES		
Non-current liabilities		
Borrowings	739	1,349
Deferred liabilities	3,770	14,502
	4,509	15,851
Current liabilities		
Trade and other payables	47,890	76,597
Borrowings	6,320	6,745
Zero-coupon RCCLS 2002/2010	96,663	115,075
Taxation	1,486	419
	152,359	198,836
TOTAL LIABILITIES	156,868	214,687
TOTAL EQUITY AND LIABILITIES	321,182	402,139
Net assets per share (RM) attributable to ordinary equity holders of the parent	0.78	0.90

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

Condensed Consolidated Statement of Changes in Equity

	Attributable to Owners of the Parent				Minority Interest	Total Equity	
	Share Capital	Reserve attributable to Capital	Reserve attributable to Revenue	Accumulated Losses			
	RM'000	RM'000	RM'000	RM'000			
9 months ended 30.9.2010							
At 1.1.2010							
As previously stated	209,940	34,299	22,417	(78,139)	188,517	(1,065)	187,452
Effect of adopting FRS 139			113		113		113
Restated	209,940	34,299	22,530	(78,139)	188,630	(1,065)	187,565
Profit/(loss) for the period	0	0	0	(22,163)	(22,163)	506	(21,657)
Other comprehensive income/(expense)	0	0	(1,854)	0	(1,854)	260	(1,594)
Total comprehensive income/(expense) for the period	0	0	(1,854)	(22,163)	(24,017)	766	(23,251)
At 30.9.2010	209,940	34,299	20,676	(100,302)	164,613	(299)	164,314
9 months ended 30.9.2009							
At 1.1.2009	209,940	34,299	23,204	(93,773)	173,670	(1,100)	172,570
Profit/(loss) for the period	0	0	0	12,025	12,025	(370)	11,656
Other comprehensive income	0	0	1,280	0	1,280	346	1,626
Total recognised income and expense for the period	0	0	1,280	12,025	13,305	(24)	13,282
Realisation of capital reserve	0	0	(450)	450	0	0	0
At 30.9.2009	209,940	34,299	24,034	(81,298)	186,975	(1,124)	185,852

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

Condensed Consolidated Cash Flow Statements

	9 Months Ended 30.9.2010 RM'000	9 Months Ended 30.9.2009 RM'000
Cash flows from operating activities		
Profit/(loss) before tax	(27,669)	15,168
Adjustments for:		
Non-cash items	40,911	2,075
Non-operating items	15,706	(1,151)
Operating profit before working capital changes	<u>28,948</u>	<u>16,092</u>
Changes in working capital		
Net change in current assets	23,315	(9,250)
Net change in current liabilities	(25,619)	21,401
Cash flow generated from operations	<u>26,644</u>	<u>28,243</u>
Interest received	1,037	964
Taxation paid	(2,721)	(5,847)
Net cash generated from operations	<u>24,960</u>	<u>23,360</u>
Investing Activities		
Available-for-sale financial assets	30	(2,354)
Net cash flow used in investing activities	<u>30</u>	<u>(2,354)</u>
Financing Activities		
Borrowings	(1,305)	(16,780)
Sinking fund account	4,064	(837)
Redemption of RCSLS 2002/2010	(18,412)	0
Net cash flow used in financing activities	<u>(15,653)</u>	<u>(17,617)</u>
Currency translation differences	<u>(2,001)</u>	<u>(15)</u>
Changes in Cash and Cash Equivalents	7,336	3,374
Cash and Cash Equivalents at the beginning of period	56,957	61,116
Cash and Cash Equivalents at the end of period	<u>64,293</u>	<u>64,490</u>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009)

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

NOTES TO THE INTERIM FINANCIAL REPORT

A1 Accounting Policies

The interim financial report is prepared in accordance with Financial Reporting Standards 134 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The figures have not been audited.

The interim financial report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2009. 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 financial year ended 31 December 2009.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those of the audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs and IC Interpretations.

Effective for financial periods beginning on or after 1 July 2009:

FRS 8 Operating Segments

Effective for financial periods beginning on or after 1 January 2010:

FRS 7	Financial Instruments: Disclosures
FRS 101 (Revised)	Presentation of Financial Statements (as revised in 2009)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standard and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Cash Flow Statements
Amendment to FRS 110	Events After the Balance Sheet Date
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 127	Consolidated & separate financial statements
Amendment to FRS 128	Investments in Associates
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 138	Intangible Assets
Amendment to FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 140	Investment property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14 FRS119	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Unless otherwise described below, the adoption of the above FRSs, Amendments to FRSs and IC Interpretation did not result in any significant changes in the accounting policies and presentations of the financial statement of the Group.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

NOTES TO THE INTERIM FINANCIAL REPORT

(a) FRS 8 - Operating Segment

FRS 8 replaces FRS114 (2004) Segment Reporting and requires a "management approach", under which segment information is reported on a consistent basis for the use of internal reporting purposes. The Group presents its segment information based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. The adoption of the standard does not have financial impact on the financial position or results of the Group.

(b) FRS 101 (Revised) - Presentation of Financial Statements

The revised FRS 101 separates owner and non-owner changes in equity. Consolidated statement of changes in equity include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present the statement of comprehensive income in a single statement. As the changes in accounting policy only impacts presentation aspects, the adoption of the standard does not have a significant impact of the financial position or results of the Group.

(c) Amendment to FRS 117 - Leases

Leasehold land is classified as a finance lease if the Group has substantially all the risks and rewards incidental to ownership. Leasehold land was previously classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Following the amendment to FRS 117, the Group has reassessed and determined that certain leasehold land of the Group are finance lease in substance and has reclassified the leasehold land to property, plant and equipment. As the changes in accounting policy only impacts presentation aspects, the adoption of the standard does not have a significant impact of the results of the Group. The effect of the change is adjusted for retrospectively in accordance with the transitional provisions of the amendments as follows:

	As previously reported	Effect of adopting amendment to FRS 117	Restated
	RM'000	RM'000	RM'000
31 December 2009			
Prepaid lease payments	2,031	(694)	1,337
Property, plant & equipment	32,599	694	33,293

(d) FRS 139 - Financial Instruments: Recognition and Measurement

Amendments to FRS 139 - Financial Instruments: Recognition and Measurement
FRS 7 - Financial Instruments: Disclosures
Amendments to FRS 7 - Financial Instruments: Disclosures

FRS 139 establishes principles for recognition and measurement of financial instruments. A financial asset or a financial liability shall be recognised in its statement of financial position when the group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial asset and financial liability (other than financial asset and financial liability at fair value through profit or loss) is added to or deducted from the fair value of the financial asset or financial liability, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial asset or financial liability at fair value through profit or loss are recognised immediately to profit or loss.

FRS 7 requires extensive disclosures of qualitative and quantitative information about exposure to risks from financial instruments. Such disclosures will be made on the audited annual financial statements of the Group.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

NOTES TO THE INTERIM FINANCIAL REPORT

(i) Financial Assets

The Group's financial assets are classified into loans and receivables and available-for-sale. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Prior to 1 January 2010, loans and receivables of the Group were stated at gross proceeds receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income when the loans and receivables are derecognised, impaired or through the amortisation process. The adoption of FRS 139 do not have significant impact on the statement of comprehensive income of the Group.

Available-for-Sale

Prior to 1 January 2010, available-for-sale financial assets such as other investments of the Group were accounted for at cost less impairment losses. Under FRS 139, available-for-sale financial asset is measured (i) at fair value initially and subsequently with unrealised gains or losses recognised directly in equity until the investment is derecognised or impaired or (ii) at cost if the unquoted equity instrument is not carried at fair value because its fair value cannot be reliably measured. The effect of the change is adjusted in accordance with the transitional provisions of the amendments as follows:

	As previously reported RM'000	Effect of adopting FRS 139 RM'000	Restated RM'000
31 December 2009			
Available-for-sale financial assets	2,964	113	3,077
Other reserves	0	(113)	(113)

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowings for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

NOTES TO THE INTERIM FINANCIAL REPORT

(ii) Financial Liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into the definitions of the financial liability and an equity instrument. The Group's financial liabilities are generally classified into other financial liabilities.

Other financial liabilities, including trade and other payables, amount due to related companies and receipt in advance are subsequently measured at amortised cost, using effective interest method.

Borrowings

Prior to 1 January 2010, borrowings were stated at the proceeds received less directly attributable transactions costs. Under FRS 139, borrowings are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised or through the amortisation process. The adoption of FRS 139 do not have significant impact on the statement of comprehensive income of the Group.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(iii) Transitional Provisions and Effects on Financial Statements

In accordance with the transitional provisions of FRS 139, the Group is required to remeasure the financial assets and liabilities as appropriate. Any adjustment of the previous carrying amount of the financial assets and liabilities shall be recognised as an adjustment to the balance of retained earnings at the beginning of the financial year in which FRS is initially applied. The above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated.

A2 Audit Report of the Previous Annual Financial Report

The audit report of the previous annual financial report was not qualified.

A3 Seasonality or Cyclicity of Interim Operations

The Group's operations were not significantly affected by any seasonal or cyclical factors.

A4 Unusual Items Affecting the Financial Statements

Arising from the liquidation proceeding (Note A10), the liquidation committee of Chongqing Smile Entertainment Co. Ltd ("Chongqing Smile"), the Company's 60% sub-subsidiary company, SMI Leisure and Entertainment Ltd, held via its 100% owned subsidiary company, South Malaysia Industries (HK) Ltd together with its joint venture partner, Chongqing Municipal Film Projection And Distribution Company, disposed the leasehold land and building including its non-detachable assets classified as assets held for sale for a cash consideration of RM18.45 million. This disposal involving inter-alia, the process of land transfer, was completed on 17 May 2010.

The group recognised a net gain arising from the disposal totalling RM6.98m in the period ended 30 September 2010.

A5 Changes in Accounting Estimates

There were no changes in estimates of amount reported in prior interim periods or prior financial years that have a material effect in the current quarter under review.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

NOTES TO THE INTERIM FINANCIAL REPORT

A6 Debt and Equity Securities

On 11 August 2010, the Company redeemed a further RM18,411,970 nominal value of Zero-coupon Redeemable Convertible Secured Loan Stocks 2002/2010 ("RCCLS") on a proportionate basis representing RM16.00 for every RM100.00 nominal value of RCCLS held from its outstanding of RM115,075,018.

The outstanding balance of RCCLS after the redemption is RM96,663,048.

As separately announced on 8 October 2010 and 3 November 2010, the RCCLS holders have approved the mode of the full and final settlement of all the outstanding RCCLS at its maturity date on 23 December 2010 which are to be set out in a settlement agreement to be entered into between all the parties concerned.

There were no issuance of debt and equity securities, share buy back, share cancellation, share held as treasury and resale of treasury shares during the financial period ended 30 September 2010.

A7 Dividends Paid

No dividend has been paid during the financial period ended 30 September 2010.

A8 Segment Reporting

The Group is organised on a worldwide basis into four main business segments:

- (a) Property development - develop and sale of residential and commercial properties
- (b) Investment Holdings - investment in properties and holding company
- (c) Manufacturing & trading - manufacture of assorted wires and trading
- (d) Leisure and entertainment - cinema business

Other operations of the Group mainly comprise of investment holding companies which are not of sufficient size to be reported separately.

9 months ended 30.9.2010	Property Development RM'000	Investment Holdings RM'000	Manufacturing & Trading RM'000	Leisure & Entertainment RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment Revenue							
External revenue	63,090	998	38,923	2,039	0	0	105,049
Intersegment revenue	0	36	0	0	0	(36)	0
	<u>63,090</u>	<u>1,034</u>	<u>38,923</u>	<u>2,039</u>	<u>0</u>	<u>(36)</u>	<u>105,049</u>
Segment Results							
Profit from operations	(30,752)	(1,971)	1,254	7,695	(1)	0	(23,775)
Finance costs	(89)	0	(196)	0	0	0	(285)
Depreciation & amortisation	(1,216)	(15)	(1,294)	(1,084)	0	0	(3,609)
Profit/(loss) before tax	(32,057)	(1,986)	(236)	6,611	(1)	0	(27,669)
Tax	5,829	(3)	188	0	(1)	0	6,013
Profit/(loss) from ordinary activities after tax	(26,228)	(1,989)	(48)	6,611	(2)	0	(21,656)
Minority interests	0	0	0	(506)	0	0	(506)
Net profit/(loss) attributable to shareholders	<u>(26,228)</u>	<u>(1,989)</u>	<u>(48)</u>	<u>6,105</u>	<u>(2)</u>	<u>0</u>	<u>(22,162)</u>
Assets and Liabilities							
Segment assets	191,414	61,413	34,132	33,150	1,073	0	321,182
Segment liabilities	30,116	97,958	10,455	18,045	294	0	156,868

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

NOTES TO THE INTERIM FINANCIAL REPORT

A9 Valuation of Property, Plant & Equipment

The valuation of property, plant and equipment have been brought forward, without amendment from the previous annual financial report.

A10 Material Events Subsequent to the End of the Interim Period

The Company's 60% sub-subsidiary company, SMI Leisure and Entertainment Ltd, held via its 100% owned subsidiary company, South Malaysia Industries (HK) Ltd together with its joint venture partner, Chongqing Municipal Film Projection And Distribution Company has liquidated the joint venture company, Chongqing Smile Entertainment Co. Ltd ("Chongqing Smile") after having undergone a series of processes which lasted over a span of 7 years, following an arbitration award in 2003.

The liquidation processes, which commenced after the arbitration decision on 6 August 2003 by the China International Economics and Trade Arbitration Commission, Shanghai Branch has finally been concluded after having received the liquidation report on 8 July 2010 with endorsement from all the relevant regulatory authorities.

Upon completion of the liquidation of Chongqing Smile, the group is expected to have a net forex gain of approximately RM6.2 million

A11 Changes In the Composition of the Group

There were no changes in the composition of the Group during the current financial period ended 30 September 2010.

A12 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets since 30 June 2010.

A13 Outstanding Commitments

There were no outstanding commitments for the financial period under review.

A14 Significant Known Related Party Disclosures

There is no significant known related party transaction during the financial period.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

NOTES TO THE INTERIM FINANCIAL REPORT

ADDITIONAL INFORMATION REQUIRED PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review of Performance of the Company and its Principal Subsidiaries

The Group's a revenue of RM105.0 million in the financial period ended 30 September 2010 was 9% higher as compared with RM96.6 million in the corresponding financial period ended 30 September 2009 mainly due to higher revenue generated by the property division from the sale of completed properties.

The Group recorded a loss before taxation of RM27.7 million in the financial period under review as compared to a profit before tax of RM15.2 million in the corresponding period. The loss in the financial period ended 30 September 2010 was mainly attributable to the impairment loss of land held for development of a subsidiary company.

B2 Explanatory comments on Any Material Change in the Profit Before Taxation for the Quarter Reported on as Compared with the Immediate Preceding Quarter

The Group recorded a loss before tax of RM41.1 million in the third quarter ended 30 September 2010 as compared to a profit before tax of RM10.6 million in the preceding first quarter ended 30 June 2010. The loss in the current quarter was mainly due to the impairment loss of land held for development of a subsidiary company.

B3 Commentary on Prospects

The Group's operating results in the current financial year is affected by the impairment in the value of land held for development of a subsidiary company.

B4 Explanatory Notes for Variance of Actual Profit from Forecast Profit / Profit Guarantee

Not applicable.

B5 Taxation

	3 months Ended 30.9.2010 RM'000	9 months Ended 30.9.2010 RM'000
Taxation based on the results for the year:		
Malaysian taxation	1,882	4,472
Overseas taxation	0	0
Transfer to/(from) deferred taxation	(9,834)	(10,490)
	<u>(7,952)</u>	<u>(6,018)</u>
Under/(over) provision of taxation in respect of prior periods	2	5
	<u>(7,950)</u>	<u>(6,013)</u>

The disproportionate tax charge in the current period was mainly due to non availability of group relief in respect of losses incurred by certain subsidiary companies, certain expenses which are not deductible for tax purposes and certain income which are not subject to tax.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

NOTES TO THE INTERIM FINANCIAL REPORT

B6 Profits/(Losses) on Sale of Unquoted Investments and/or Properties

There were no profits on sale of unquoted investments and/or properties outside the ordinary course of the Group's business for the financial year under review other than as disclosed in Note A4.

B7 Quoted Securities

(a) The particulars of quoted securities for the financial period ended 30 September 2010 are as follows:

	3 Months Ended 30.9.2010 RM'000	9 Months Ended 30.9.2010 RM'000
<u>Available-for-sale financial assets</u>		
Quoted securities at fair value at beginning of period	4,968	5,863
Addition	4	18
Disposal	(11)	(202)
Fair value adjustments through equity	1,214	495
Quoted securities at fair value at end of period	<u>6,175</u>	<u>6,175</u>

B8 Status of Corporate Proposals

No corporate proposal was undertaken by the Group in the financial period ended 30 September 2010.

B9 Group Borrowings

	As at 30.9.2010 RM'000
Current	
Secured:-	
RM denominated	<u>6,320</u>
Non-current	
Secured:-	
RM denominated	<u>739</u>
Borrowings maturity:	
Less than one year	6,320
Later than one year and not later than two years	488
Later than two years and not later than five years	251
	<u>7,059</u>

B10 Financial Instruments

(a) Disclosure of Derivatives

There were no outstanding derivatives (including financial instruments designated as hedging instruments) as at the end of the quarter ended 30 September 2010.

The Group has not entered into a type of derivatives not disclosed in the previous financial year or any of the previous quarters under the current financial period.

(b) Disclosure of Gains/Losses Arising from Fair Value Changes of Financial Liabilities

There were no material gains/losses arising from fair value changes of financial liabilities for the current quarter and financial period to date.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

NOTES TO THE INTERIM FINANCIAL REPORT

B11 Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at the date of this report.

B12 Material Litigation

As at the date of this report, there is no pending material litigation for the Group.

B13 Dividends

The Directors do not recommend any payment of dividend for the financial period ended 30 September 2010.

B14 Earnings per Share

	3 Months Ended		9 Months Ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
(a) Basic Earnings per Share				
Net Profit/(loss) attributable to shareholders	(33,184)	5,644	(22,162)	12,025
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	<u>(15.81)</u>	<u>2.69</u>	<u>(10.56)</u>	<u>5.73</u>

	3 Months Ended		9 Months Ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
(b) Diluted Earnings per Share				
Net Profit attributable to shareholders	(33,184)	5,644	(22,162)	12,025
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Adjustment for:				
- conversion of RCCLS	80,553	95,896	80,553	95,896
Weighted average number of shares in issue for diluted profit per share ('000)	<u>290,493</u>	<u>305,836</u>	<u>290,493</u>	<u>305,836</u>
Diluted earnings/(loss) per share (sen)	<u>(11.42)</u>	<u>1.85</u>	<u>(7.63)</u>	<u>3.93</u>

By Order of the Board

Tan Siew Chin
Company Secretary
Kuala Lumpur
Date: 25 November 2010