

**SOUTH MALAYSIA INDUSTRIES BERHAD ( 8482 - D )**

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2011****Condensed Consolidated Statements of Comprehensive Income**

	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>30.06.2011</b>	<b>30.06.2010</b>	<b>30.06.2011</b>	<b>30.06.2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	24,589	28,198	45,241	71,751
Operating Expenses	(26,781)	(26,324)	(49,326)	(67,476)
Other Expenses	(265)	(811)	(548)	(1,654)
Interest Income	276	288	692	668
Other Operating Income	445	9,316	1,070	10,345
Profit/(loss) from Operations	(1,736)	10,667	(2,871)	13,634
Finance costs	(163)	(98)	(258)	(190)
Investing Results	0	0	0	0
Profit/(loss) before tax	(1,899)	10,569	(3,129)	13,444
Tax	(80)	(816)	(333)	(1,938)
Net Profit/(loss) for the period	(1,979)	9,753	(3,462)	11,506
Other comprehensive income/(loss), net of tax				
- Exchange differences on translating foreign operations	1,282	(305)	868	(1,852)
- Fair value of available-for-sale financial assets	(242)	(484)	(455)	(694)
Other comprehensive income/(loss) for the period, net of tax	1,040	(789)	413	(2,546)
Total comprehensive income/(loss) for the period	(939)	8,964	(3,049)	8,960
Profit/(loss) attributable to:				
Owners of the parent	(2,054)	9,284	(3,561)	11,021
Minority Interests	75	469	99	485
	(1,979)	9,753	(3,462)	11,506
Total comprehensive income/(loss) attributable to:				
Owners of the parent	(1,116)	8,467	(3,346)	8,368
Minority Interests	177	497	297	592
	(939)	8,964	(3,049)	8,960
<b>Earnings/(loss) per share attributable to equity holders of the parent:</b>				
Basic (sen)	(0.98)	4.42	(1.70)	5.25
Diluted (sen)	(0.98)	3.04	(1.70)	3.60

( The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010 )

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2011

**Condensed Consolidated Statements of Financial Position**

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	53,605	54,519
Prepaid lease payments	1,050	1,107
Investment properties	29,153	29,153
Land held for property development	8,291	9,105
Available-for-sale financial assets	18,288	17,807
	110,387	111,691
<b>Current assets</b>		
Inventories	28,543	30,485
Trade and other receivables	62,263	72,049
Sinking fund account	-	1,457
Available-for-sale financial assets	1,500	3,470
Cash and cash equivalents	42,928	65,613
	135,234	173,074
<b>TOTAL ASSETS</b>	<b>245,621</b>	<b>284,765</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's equity holders</b>		
Share capital	209,940	209,940
Reserves	(37,331)	(33,985)
Shareholders' Equity	172,609	175,955
<b>Minority Interest</b>	(551)	(849)
<b>TOTAL EQUITY</b>	<b>172,058</b>	<b>175,106</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	1,095	954
Deferred liabilities	2,671	2,814
	3,766	3,768
<b>Current liabilities</b>		
Trade and other payables	41,493	65,650
Borrowings	27,249	37,732
Taxation	1,055	2,509
	69,797	105,891
<b>TOTAL LIABILITIES</b>	<b>73,563</b>	<b>109,659</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>245,621</b>	<b>284,765</b>
Net assets per share (RM) attributable to ordinary equity holders of the parent	0.82	0.84

( The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2011**

**Condensed Consolidated Statement of Changes in Equity**

	Attributable to Owners of the Parent				Total	Minority Interest	Total Equity
	Share Capital	Reserve attributable to Capital	Reserve attributable to Revenue	Accumulated Losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>6 months ended 30.06.2011</b>							
At 1.1.2011	209,940	34,299	16,137	(84,421)	175,955	(848)	175,107
Profit/(loss) for the period	0	0	0	(3,561)	(3,561)	99	(3,462)
Other comprehensive income/(loss)	0	0	215	0	215	198	413
Total comprehensive income/(loss) for the period	0	0	215	(3,561)	(3,346)	297	(3,049)
At 30.06.2011	209,940	34,299	16,352	(87,982)	172,609	(551)	172,058
<b>6 months ended 30.06.2010</b>							
At 1.1.2010	209,940	34,299	22,530	(78,139)	188,630	(1,065)	187,565
Profit/(loss) for the period	0	0	0	11,021	11,021	485	11,506
Other comprehensive income/(loss)	0	0	(2,653)	0	(2,653)	107	(2,546)
Total comprehensive income/(loss) for the period	0	0	(2,653)	11,021	8,368	592	8,960
At 30.06.2010	209,940	34,299	19,877	(67,118)	196,998	(473)	196,525

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010 )

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2011**

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**Condensed Consolidated Statements of Cash Flow**

	<b>6 Months Ended</b>	<b>6 Months Ended</b>
	<b>30.06.2011</b>	<b>30.06.2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	(3,129)	13,444
Adjustments for:		
Non-cash items	2,016	(4,485)
Non-operating items	(1,307)	16,212
Operating profit before working capital changes	<u>(2,420)</u>	<u>25,171</u>
Changes in working capital		
Net change in current assets	12,722	12,868
Net change in current liabilities	(23,904)	(30,407)
<b>Cash flow generated from/(used in) operations</b>	<u>(13,602)</u>	<u>7,632</u>
Interest received	657	660
Taxation paid	(1,880)	(1,365)
<b>Net cash generated from/(used in) operations</b>	<u>(14,825)</u>	<u>6,927</u>
<b>Investing Activities</b>		
Available-for-sale financial assets	1,757	65
Net cash flow generated from investing activities	<u>1,757</u>	<u>65</u>
<b>Financing Activities</b>		
Borrowings	(10,881)	954
Sinking fund account	1,457	(5,140)
Net cash flow used in financing activities	<u>(9,424)</u>	<u>(4,186)</u>
<b>Currency translation differences</b>	<u>(193)</u>	<u>(1,254)</u>
<b>Changes in Cash and Cash Equivalents</b>	<u>(22,685)</u>	<u>1,552</u>
<b>Cash and Cash Equivalents at the beginning of period</b>	65,613	56,957
<b>Cash and Cash Equivalents at the end of period</b>	<u>42,928</u>	<u>58,509</u>

( The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010)

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2011**

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**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 2010. 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 2010.

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 2010, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2011.

FRS 1 (Revised)	First-time Adoption of Financial Reporting Standards
FRS 3 (Revised)	Business combinations
FRS 127 (Revised)	Consolidated & Separate Financial Statements
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Share-based payment
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distribution of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Improvements to FRSs (2010)	
- FRS 1 First-time Adoption of Financial Reporting Standards	
- FRS 3 Business Combinations	
- FRS 7 Financial Instruments: Disclosures	
- FRS 101 Presentation of Financial Statements	
- FRS 121 The Effects of Changes in Foreign Exchange Rates	
- FRS 128 Investments in Associates	
- FRS 131 Interest in Joint Ventures	
- FRS 132 Financial Instruments: Presentation	
- FRS 134 Interim Financial Reporting	
- FRS 139 Financial Instruments: Recognition and Measurement	
- Amendments to IC Interpretation 13 Customer Loyalty Programmes	

IC Interpretation 12 Service Cession Arrangements will also be effective for annual periods beginning on or after 1 July 2010. This IC Interpretation, is however, not applicable to the Group.

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

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2011

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**NOTES TO THE INTERIM FINANCIAL REPORT**

**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**

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their material effect in the current quarter under review.

**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.

**A6 Debt and Equity Securities**

There were no issuance of debt and equity securities, share buy back, share cancellation, share held as treasury and resale of treasury share during the financial period ended 30 June 2011.

**A7 Dividends Paid**

No dividend has been paid during the financial period ended 30 June 2011.

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**NOTES TO THE INTERIM FINANCIAL REPORT**

**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 Holding - 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.

6 months ended 30.6.2011	Property Development RM'000	Investment Holding RM'000	Manufacturing & Trading RM'000	Leisure & Entertainment RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>Segment Revenue</b>							
External revenue	18,376	606	25,120	1,139	0	0	45,241
Intersegment revenue	0	24	0	0	0	(24)	0
	<u>18,376</u>	<u>630</u>	<u>25,120</u>	<u>1,139</u>	<u>0</u>	<u>(24)</u>	<u>45,241</u>
<b>Segment Results</b>							
Profit from operations	975	(1,441)	212	(638)	0	0	(892)
Finance costs	(63)	(15)	(181)	0	0	0	(259)
Depreciation & amortisation	(368)	(148)	(654)	(808)	0	0	(1,978)
Profit/(loss) before tax	<u>544</u>	<u>(1,604)</u>	<u>(623)</u>	<u>(1,446)</u>	<u>0</u>	<u>0</u>	<u>(3,129)</u>
Tax	(265)	0	7	(74)	(1)	0	(333)
Profit/(loss) from ordinary activities after tax	<u>279</u>	<u>(1,604)</u>	<u>(616)</u>	<u>(1,520)</u>	<u>(1)</u>	<u>0</u>	<u>(3,462)</u>
Minority interests	0	0	0	(99)	0	0	(99)
Net profit/(loss) attributable to shareholders	<u>279</u>	<u>(1,604)</u>	<u>(616)</u>	<u>(1,619)</u>	<u>(1)</u>	<u>0</u>	<u>(3,561)</u>
<b>Assets and Liabilities</b>							
Segment assets	130,806	60,770	35,799	17,157	1,089	0	245,621
Segment liabilities	<u>44,907</u>	<u>1,005</u>	<u>12,933</u>	<u>14,426</u>	<u>292</u>	<u>0</u>	<u>73,563</u>

**A9 Valuation of Property, Plant & Equipment**

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

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**NOTES TO THE INTERIM FINANCIAL REPORT**

**A10 Material Events Subsequent to the End of the Interim Period**

There were no material events subsequent to the current financial period ended 30 June 2011 up to date of this report.

**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 June 2011.

**A12 Changes in Contingent Liabilities and Contingent Assets**

There were no contingent liabilities and contingent assets since 31 March 2011.

**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.



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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2011**

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**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 recorded a revenue of RM45.24 million in the financial period ended 30 June 2011, a 37% decrease as compared with RM71.75 million in the preceding financial period ended 30 June 2010. This was mainly attributable to the lower revenue generated by the property and manufacturing divisions which posted a 56% and 9% decrease in revenue respectively.

Loss before taxation of the Group was RM3.1 million in the financial period under review as compared to a profit before taxation of RM13.4 million in the preceding period. The loss in the current financial period ended 30 June 2011 was mainly due to lower profit recognised for the Group's on-going projects and loss suffered by the manufacturing division. Higher profit was recorded in the preceding year period from the sale of land and building and write-back of expenses.

**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 RM1.9 million in the second quarter ended 30 June 2011 as compared to a loss of RM1.2 million in the preceding first quarter ended 31 March 2011. The higher loss in the current quarter was mainly due to lower contribution from the property division, higher loss incurred by the manufacturing division and higher operating costs.

**B3 Commentary on Prospects**

The Group's results in the current financial period is expected to be affected by the deferment of new property launches.

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

Not applicable.

**B5 Taxation**

	<b>3 months Ended 30.06.2011 RM'000</b>	<b>6 months Ended 30.06.2011 RM'000</b>
Taxation based on the results for the period:		
Malaysian taxation	172	401
Overseas taxation	-	74
Transfer to/(from) deferred taxation	(92)	(142)
	<u>80</u>	<u>333</u>
Under/(over) provision of taxation in respect of prior periods	0	0
	<u>80</u>	<u>333</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 certain income which are not subject to tax and the effect of the disposal of a subsidiary company.

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**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 period under review.

**B7 Quoted Securities**

(a) The particulars of quoted securities for the financial period ended 30 June 2011 are as follows:

<u>Available-for-sale financial assets</u>	<b>3 Months Ended 30.06.2011 RM'000</b>	<b>6 months Ended 30.06.2011 RM'000</b>
Quoted securities at fair value at beginning of period	5,076	6,184
Addition	1,500	1,500
Disposal	0	(1,108)
Fair value adjustments through equity	(242)	(242)
Quoted securities at fair value at end of period	<u>6,334</u>	<u>6,334</u>

**B8 Status of Corporate Proposals**

No corporate proposal was undertaken by the Group in the financial period ended 30 June 2011.

**B9 Group Borrowings**

	<b>As at 30.06.2011 RM'000</b>
<b>Current</b>	
Secured:-	
RM denominated	<u>27,249</u>
<b>Non-current</b>	
Secured:-	
RM denominated	<u>1,095</u>
<b>Borrowings maturity:</b>	
Less than one year	27,249
Later than one year and not later than two years	559
Later than two years and not later than five years	503
Later than five years	33
	<u>28,344</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 31 March 2011.

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.

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**NOTES TO THE INTERIM FINANCIAL REPORT**

**B11 Realised and Unrealised Losses**

	<b>As at 30.06.2011 RM'000</b>	<b>As at 31.12.2010 RM'000</b>
Total accumulated losses of South Malaysia Industries Berhad and its subsidiaries		
- Realised	(123,373)	(117,747)
- Unrealised	(3,595)	(3,696)
	<u>(126,968)</u>	<u>(121,443)</u>
Less: consolidated adjustments	38,986	37,022
Total Group accumulated losses	<u>(87,982)</u>	<u>(84,421)</u>

**B12 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.

**B13 Material Litigation**

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

**B14 Dividends**

The Directors do not recommend any payment of dividend for the financial period ended 30 June 2011.

**B15 Earnings per Share**

	<b>3 Months Ended</b>		<b>6 Months Ended</b>	
	<b>30.6.2011 RM'000</b>	<b>30.6.2010 RM'000</b>	<b>30.6.2011 RM'000</b>	<b>30.6.2010 RM'000</b>
<b>(a) Basic Earnings per Share</b>				
Net Profit/(loss) attributable to shareholders	(2,054)	9,284	(3,561)	11,021
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	<u>(0.98)</u>	<u>4.42</u>	<u>(1.70)</u>	<u>5.25</u>

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**NOTES TO THE INTERIM FINANCIAL REPORT**

	3 Months Ended		6 Months Ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	RM'000	RM'000	RM'000	RM'000
<b>(b) Diluted Earnings per Share</b>				
Net Profit/(loss) attributable to shareholders	(2,054)	9,284	(3,561)	11,021
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Adjustment for:				
- conversion of RCSLS	-	95,896	-	95,896
Weighted average number of shares in issue for diluted profit per share ('000)	209,940	305,836	209,940	305,836
Diluted earnings/(loss) per share (sen)	(0.98)	3.04	(1.70)	3.60

By Order of the Board

Tan Siew Chin  
Company Secretary  
Kuala Lumpur  
Date: 25 August 2011