

Condensed Consolidated Statements of Comprehensive Income

	3 Months Ended		3 Months Ended	
	31.3.2012 RM'000	31.3.2011 RM'000	31.3.2012 RM'000	31.3.2011 RM'000
Revenue	30,780	20,652	30,780	20,652
Operating Expenses	(32,181)	(22,546)	(32,181)	(22,546)
Other Expenses	(265)	(283)	(265)	(283)
Interest Income	182	416	182	416
Other Operating Income	510	625	510	625
Profit/(loss) from Operations	(974)	(1,136)	(974)	(1,136)
Finance costs	(137)	(95)	(137)	(95)
Investing Results	0	0	0	0
Profit/(loss) before tax	(1,111)	(1,231)	(1,111)	(1,231)
Tax	(390)	(253)	(390)	(253)
Net Profit/(loss) for the period	(1,501)	(1,484)	(1,501)	(1,484)
Other comprehensive income/(loss), net of tax				
- Exchange differences on translating foreign operations	193	(414)	193	(414)
- Fair value of available-for-sale financial assets	-	(213)	-	(213)
Other comprehensive income/(loss) for the period, net of tax	193	(627)	193	(627)
Total comprehensive income/(loss) for the period	(1,308)	(2,111)	(1,308)	(2,111)
Profit/(loss) attributable to:				
Owners of the parent	(1,198)	(1,508)	(1,198)	(1,508)
Minority Interests	(303)	24	(303)	24
	(1,501)	(1,484)	(1,501)	(1,484)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	(722)	(2,231)	(722)	(2,231)
Minority Interests	(586)	120	(586)	120
	(1,308)	(2,111)	(1,308)	(2,111)
Earnings/(loss) per share attributable to equity holders of the parent:				
Basic/Diluted (sen)	(0.57)	(0.72)	(0.57)	(0.72)

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2012

Condensed Consolidated Statements of Financial Position

	As at 31.3.2012 RM'000	As at 31.12.2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	52,098	53,361
Prepaid lease payments	998	1,066
Investment properties	29,153	29,153
Land held for property development	9,134	10,766
Available-for-sale financial assets	18,278	18,040
	109,661	112,386
Current assets		
Inventories	24,833	26,103
Trade and other receivables	54,338	60,316
Available-for-sale financial assets	-	-
Cash and cash equivalents	54,806	30,622
	133,977	117,041
TOTAL ASSETS	243,638	229,427
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	209,940	209,940
Reserves	(39,975)	(39,253)
Shareholders' Equity	169,965	170,687
Minority Interest	(2,428)	(1,842)
TOTAL EQUITY	167,537	168,845
LIABILITIES		
Non-current liabilities		
Borrowings	19,288	753
Deferred liabilities	1,646	1,794
	20,934	2,547
Current liabilities		
Trade and other payables	42,039	47,573
Borrowings	12,562	10,000
Taxation	565	462
	55,166	58,035
TOTAL LIABILITIES	76,100	60,582
TOTAL EQUITY AND LIABILITIES	243,638	229,427
Net assets per share (RM) attributable to ordinary equity holders of the parent	0.81	0.81

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2012

Condensed Consolidated Statement of Changes in Equity

	Attributable to Owners of the Parent						Non-Controlling Interest	Total Equity	
	Share Capital	Share Premium	Foreign Exchange Reserve	Revaluation Reserve	Fair Value Reserve	Accumulated Losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
3 months ended 31.3.2012									
At 1.1.2012	209,940	34,299	15,138	1,168	242	(90,100)	170,687	(1,842)	168,845
Profit/(loss) for the period	-	-	-	-	-	(1,198)	(1,198)	(303)	(1,502)
Other comprehensive income/(loss)	-	-	476	-	-	-	476	(283)	193
Total comprehensive income/(loss) for the period	-	-	476	-	-	(1,198)	(722)	(586)	(1,308)
At 31.3.2012	209,940	34,299	15,614	1,168	242	(91,298)	169,965	(2,428)	167,537
3 months ended 31.3.2011									
At 1.1.2011	209,940	34,299	14,272	1,168	697	(84,421)	175,955	(849)	175,106
Profit/(loss) for the period	-	-	-	-	-	(1,508)	(1,508)	24	(1,484)
Other comprehensive income/(loss)	-	-	(510)	-	(213)	-	(723)	96	(627)
Total comprehensive income/(loss) for the period	-	-	(510)	-	(213)	(1,508)	(2,231)	120	(2,111)
At 31.3.2011	209,940	34,299	13,762	1,168	484	(85,929)	173,724	(729)	172,995

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011)

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2012**Consolidated Statements of Cash Flow**

	3 Months Ended 31.3.2012 RM'000	3 Months Ended 31.3.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	(1,111)	(1,231)
Adjustments for:		
Depreciation & amortisation	993	934
Other non-cash items	(4)	40
Finance costs	137	16
Finance income	(182)	(416)
Operating profit/(loss) before working capital changes	(167)	(657)
Decrease/(increase) in property development cost	1,232	1,559
Decrease in inventories	1,719	1,162
Decrease/(increase) in trade and other receivables	5,768	10,180
Increase/(decrease) in trade and other payables	(5,018)	(26,744)
Cash generated from/(used in) operations	3,534	(14,500)
Interest paid	(137)	(16)
Tax paid	(219)	(1,259)
Net cash from/(used in) operating activities	3,178	(15,775)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	181	396
Expenditure on land held for property development	(49)	(132)
Proceeds from disposal of available-for-sale financial assets	-	3,257
Purchase of property, plant and equipment	(85)	(518)
Proceeds from disposal of property, plant and equipment	-	147
Net cash from/(used in) investing activities	47	3,150
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings, net drawdown/(repayment)	21,141	(5,905)
Repayments of hire purchase payables	(44)	(110)
Withdrawal from sinking fund account	-	1,457
Net cash from/(used in) financing activities	21,097	(4,558)
Effects of exchange rate changes on cash and cash equivalents	(138)	(296)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	24,184	(17,479)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	30,622	65,613
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	54,806	48,134

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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2012

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 2011. 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 2011.

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 2011, 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 2012.

IC Interpretation 19	Extinguishing Financial Liabilities
Amendments to IC interpretation 14	Prepayment of a Minimum Funding Requirement
FRS 124	Related Party Disclosures (revised)
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Disclosures - Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax - Recovery of Underlying Assets

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.

A2 Malaysian Financial Reporting Standards (MFRS)

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 agriculture ("MFRS 141") and IC Interpretation 15 Agreements for Construction of Real Estate ("IC 15"), including its parent, significant investor and venture (here in called "Transitioning Entities"). Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

Financial statements that are drawn up in accordance with the new MFRS Framework will be equivalent to financial statements prepared by other jurisdictions which adopt IFRSs ("International Financial Reporting Standards").

The Group is subject to the application of IC Interpretation 15, therefore falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2013. In presenting the Group's first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

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NOTES TO THE INTERIM FINANCIAL REPORT

A2 Malaysian Financial Reporting Standards (MFRS) - Cont'd

The Group is currently assessing the implications and financial impact of transition to the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the financial period ended 31 March 2012 could be different if prepared under the MFRS Framework.

A3 Audit Report of the Previous Annual Financial Report

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

A4 Seasonality or Cyclicity of Interim Operations

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

A5 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.

A6 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.

A7 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 31 March 2012.

A8 Dividends Paid

No dividend has been paid during the financial period ended 31 March 2012.

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NOTES TO THE INTERIM FINANCIAL REPORT

A9 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 & car park operation
- (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 dormant companies which are not of sufficient size to be reported separately

3 months ended 31.3.2012	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
Segment Revenue							
External revenue	16,937	310	13,149	384	-	-	30,780
Intersegment revenue	-	13	-	-	-	(13)	-
	<u>16,937</u>	<u>323</u>	<u>13,149</u>	<u>384</u>	<u>-</u>	<u>(13)</u>	<u>30,780</u>
Segment Results							
Profit/(loss) from operations	1,329	(870)	(29)	(412)	1	-	19
Finance costs	(11)	(8)	(118)	-	-	-	(137)
Depreciation & amortisation	(158)	(83)	(313)	(439)	-	-	(993)
Profit/(loss) before tax	<u>1,160</u>	<u>(961)</u>	<u>(460)</u>	<u>(851)</u>	<u>1</u>	<u>-</u>	<u>(1,111)</u>
Tax	(373)	-	3	(18)	(1)	-	(390)
Profit/(loss) from ordinary activities after tax	<u>787</u>	<u>(961)</u>	<u>(457)</u>	<u>(870)</u>	<u>(0)</u>	<u>-</u>	<u>(1,501)</u>
Minority interests	-	-	-	303	-	-	303
Net profit/(loss) attributable to shareholders	<u>787</u>	<u>(961)</u>	<u>(457)</u>	<u>(567)</u>	<u>(0)</u>	<u>-</u>	<u>(1,198)</u>
Assets and Liabilities							
Segment assets	109,107	81,581	35,442	16,412	1,096	-	243,638
Segment liabilities	25,018	20,726	14,018	16,045	293	-	76,100

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NOTES TO THE INTERIM FINANCIAL REPORT

3 months ended 31.3.2011	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
Segment Revenue							
External revenue	8,241	303	11,600	508	-	-	20,652
Intersegment revenue	-	12	-	-	-	(12)	-
	<u>8,241</u>	<u>315</u>	<u>11,600</u>	<u>508</u>	<u>-</u>	<u>(12)</u>	<u>20,652</u>
Segment Results							
Profit/(loss) from operations	599	(664)	261	(399)	1	-	(202)
Finance costs	(25)	(6)	(64)	-	-	-	(95)
Depreciation & amortisation	(220)	(74)	(427)	(213)	-	-	(934)
Profit/(loss) before tax	<u>354</u>	<u>(744)</u>	<u>(230)</u>	<u>(612)</u>	<u>1</u>	<u>-</u>	<u>(1,231)</u>
Tax	(180)	-	1	(74)	-	-	(253)
Profit/(loss) from ordinary activities after tax	<u>174</u>	<u>(744)</u>	<u>(229)</u>	<u>(686)</u>	<u>1</u>	<u>-</u>	<u>(1,484)</u>
Minority interests	-	-	-	(24)	-	-	(24)
Net profit/(loss) attributable to shareholders	<u>174</u>	<u>(744)</u>	<u>(229)</u>	<u>(710)</u>	<u>1</u>	<u>-</u>	<u>(1,508)</u>
Assets and Liabilities							
Segment assets	134,768	60,060	35,055	18,120	1,077	-	249,080
Segment liabilities	<u>48,205</u>	<u>1,019</u>	<u>11,827</u>	<u>14,740</u>	<u>293</u>	<u>-</u>	<u>76,084</u>

A10 Valuation of Property, Plant & Equipment

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

A11 Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the current financial period ended 31 March 2012 up to date of this report.

A12 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial period ended 31 March 2012.

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NOTES TO THE INTERIM FINANCIAL REPORT

A13 Changes in Contingent Liabilities and Contingent Assets

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

A14 Outstanding Commitments

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

A15 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 FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2012

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

For the Quarter

The Group's revenue of RM30.78 million for the financial period ended 31 March 2012 represents a 49% or RM10.13 million increase from RM20.65 million in the corresponding period ended 31 March 2011. The property division recorded an increase of RM8.7 million due to higher progress billings recognised from the Zenith condominium project, while the manufacturing and trading division has also recorded a higher revenue of RM1.55 million as a result of higher domestic demand after the long holidays to replenish stocks.

GP margin decreased from 12.9% for the financial period ended 31 March 2011 to 11.3% in the financial period ended 31 March 2012 mainly due to lower manufacturing margin.

Operating loss before tax of the Group for the financial period ended 31 March 2012 was RM1.1 million as compared with a loss of RM1.2 million in the corresponding financial period ended 31 March 2011. The loss in the current period ended was due to higher manufacturing loss as a result of lower profit margin and higher costs and cinema loss as a result of higher depreciation and amortisation costs, offset by higher development profit recognised.

The Group's investment holding division's result in the first quarter 2012 was affected by lower interest income and higher building maintenance and staff costs.

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

First Quarter 2012 vs Fourth Quarter 2011

During the 3 months ended 31 March 2012, the Group recorded a total revenue of RM30.78 million, a decrease of RM2.17 million from RM32.95 million in the preceding 3 months ended 31 December 2011. The decrease in revenue was mainly due to lower contribution from the property division.

The manufacturing and trading division recorded a 6% increase in revenue from RM12.35 million in the Fourth Quarter 2011 to RM13.15 million in the First Quarter 2012. Sales in the First Quarter was higher than the Fourth Quarter due to higher domestic sales after the long holidays to replenish stocks.

The property division recorded a 14% decrease in revenue from RM19.76 million in the Fourth Quarter 2011 to RM16.94 million in the First Quarter 2012 mainly due to completion of phase M6 in Bandar Meru Raya, Ipoh and lower progress billings of Zenith Condominium project.

Loss before tax was higher at RM1.11 million in the First Quarter 2012 as compared to RM115k in the Fourth Quarter 2011 mainly due to a reversal of doubtful debts provision of RM1.75m in a subsidiary company in the Fourth Quarter 2011.

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NOTES TO THE INTERIM FINANCIAL REPORT

B3 Commentary on Prospects

The worsening economic conditions in Europe and the United States have resulted in the drop in the country's external demand. After expanding 7.2% in 2010, Malaysia's growth in 2011 has slowed to 5.1%, only to be supported by favourable domestic demand. In view of the uncertainty over the sustainability of the upward trend in domestic demand which has created greater downside risks to GDP, Bank Negara Malaysia has revised the official growth forecast of 5% to 6% in 2012 to 4% to 5%. The economic environment and external factors are expected to exert pressure on the Group's earnings and profit.

The property division is expected to contribute significantly to the Group's results in 2012 from its on-going development projects and new property launches. Faced with intense competition, the Group expects the manufacturing division's operating environment in 2012 to be broadly similar to 2011. Hence, efforts are focused on improving operating margin and retaining its core customers. The Group is expected to return to profitability in 2012.

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

Not applicable.

B5 Taxation

	3 months Ended 31.3.2012 RM'000
Taxation based on the results for the period:	
Malaysian taxation	520
Overseas taxation	18
Transfer to/(from) deferred taxation	(148)
	<u>390</u>
Under/(over) provision of taxation in respect of prior periods	<u>0</u>
	<u><u>390</u></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.

B6 Status of Corporate Proposals

No corporate proposal was undertaken by the Group in the financial period ended 31 March 2012.

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B7 Group Borrowings

	As at 31.3.2012 RM'000
Current	
Secured:-	
RM denominated	<u>12,562</u>
Non-current	
Secured:-	
RM denominated	<u>19,288</u>
Borrowings maturity:	
Less than one year	12,562
Later than one year and not later than two years	1,711
Later than two years and not later than five years	7,665
Later than five years	9,912
	<u>31,850</u>

B8 Realised and Unrealised Losses

	As at 31.3.2012 RM'000	As at 31.12.2011 RM'000
Total accumulated losses of South Malaysia Industries Berhad and its subsidiaries		
- Realised	(124,864)	(119,791)
- Unrealised	(2,635)	(2,787)
	<u>(127,498)</u>	<u>(122,578)</u>
Less: consolidated adjustments	36,200	32,478
Total Group accumulated losses	<u>(91,298)</u>	<u>(90,100)</u>

B9 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.

B10 Material Litigation

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

B11 Dividends

The Directors do not recommend any payment of dividend for the financial period ended 31 March 2012.

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NOTES TO THE INTERIM FINANCIAL REPORT

B12 Profit/(Loss) From Operations

The following items have been charged/(credited) in arriving at profit/(loss) from operations:

	3 Months Ended	
	31.3.2012	31.3.2011
	RM'000	RM'000
(a) Other income including investment income	(506)	(426)
(b) Depreciation and amortisation	993	934
(c) Loss/(gain) on disposal of quoted investments	-	(199)
(d) Foreign exchange loss/(gain)	28	44

Other than the above, there were no impairment of assets, gain or loss on derivative, provision for and write off of inventories and exceptional items for the current quarter and financial period ended 31 March 2012.

B13 Earnings per Share

	3 Months Ended	
	31.12.2012	31.3.2011
	RM'000	RM'000
(a) Basic Earnings per Share		
Net Profit/(loss) attributable to shareholders	(1,198)	(1,508)
Weighted average number of shares in issue ('000)	209,940	209,940
Basic earnings/(loss) per share (sen)	<u>(0.57)</u>	<u>(0.72)</u>

(b) Diluted Earnings per Share

There is no dilutive event as at 31 March 2012 and 31 March 2011. Therefore, the diluted EPS is the same as basic EPS.

By Order of the Board

Tan Siew Chin
Company Secretary
Kuala Lumpur
Date: 24 May 2012