

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 Months Ended		3 Months Ended	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
Revenue	22,902	13,618	22,902	13,618
Operating Expenses	(23,002)	(17,346)	(23,002)	(17,346)
Other Expenses	(479)	(265)	(479)	(265)
Interest Income	209	328	209	328
Other Operating Income	1,055	429	1,055	429
Profit/(loss) from Operations	685	(3,236)	685	(3,236)
Finance costs	(459)	(445)	(459)	(445)
Investing Results	-	-	-	-
Profit/(loss) before tax	226	(3,681)	226	(3,681)
Tax	(172)	(25)	(172)	(25)
Net Profit/(loss) for the period	54	(3,706)	54	(3,706)
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange differences on translating foreign operations	209	612	209	612
- Fair value of available-for-sale financial assets	484	967	484	967
Other comprehensive income for the period, net of tax	693	1,579	693	1,579
Total comprehensive income for the period	747	(2,127)	747	(2,127)
Profit/(loss) attributable to:				
Owners of the parent	9	(3,492)	9	(3,492)
Minority Interests	45	(214)	45	(214)
	54	(3,706)	54	(3,706)
Total comprehensive income attributable to:				
Owners of the parent	987	(1,889)	987	(1,889)
Minority Interests	(240)	(238)	(240)	(238)
	747	(2,127)	747	(2,127)
Earnings/(loss) per share attributable to equity holders of the parent:				
Basic/Diluted (sen)	0.00	(1.66)	0.00	(1.66)

(The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014)

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015**Condensed Consolidated Statements of Financial Position**

	As at 31.3.2015 RM'000	As at 31.12.2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	46,828	47,189
Prepaid lease payments	758	756
Investment properties	30,553	30,553
Land held for property development	6,430	6,349
Available-for-sale financial assets	26,123	25,316
Trade and other receivables	7,310	7,310
	118,002	117,473
Current assets		
Inventories	26,710	28,079
Trade and other receivables	31,748	27,677
Available-for-sale financial assets	1,020	1,010
Cash and cash equivalents	36,784	37,922
	96,262	94,688
TOTAL ASSETS	214,264	212,161
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	209,940	209,940
Reserves	(61,991)	(62,979)
Shareholders' equity	147,949	146,961
Minority Interest	(5,804)	(5,564)
TOTAL EQUITY	142,145	141,397
LIABILITIES		
Non-current liabilities		
Borrowings	14,920	15,393
Deferred liabilities	785	832
	15,705	16,225
Current liabilities		
Trade and other payables	43,525	43,218
Borrowings	12,776	11,292
Taxation	113	29
	56,414	54,539
TOTAL LIABILITIES	72,119	70,764
TOTAL EQUITY AND LIABILITIES	214,264	212,161
Net assets per share (RM) attributable to ordinary equity holders of the parent	0.70	0.70

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014)

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015

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 31.3.2015									
At 1.1.2015	209,940	34,299	18,002	1,168	6,044	(122,493)	146,961	(5,564)	141,397
Profit/(loss) for the period	-	-	-	-	-	9	9	45	54
Other comprehensive income	-	-	494	-	484	-	978	(285)	693
Total comprehensive income for the period	-	-	494	-	484	9	987	(240)	747
At 31.3.2015	209,940	34,299	18,496	1,168	6,528	(122,484)	147,949	(5,804)	142,145
3 months ended 31.3.2014									
At 1.1.2014	209,940	34,299	17,567	1,168	4,109	(112,906)	154,177	(4,804)	149,373
Profit/(loss) for the period	-	-	-	-	-	(3,492)	(3,492)	(214)	(3,706)
Other comprehensive income	-	-	636	-	967	-	1,603	(24)	1,579
Total comprehensive income for the period	-	-	636	-	967	(3,492)	(1,889)	(238)	(2,127)
At 31.3.2014	209,940	34,299	18,203	1,168	5,076	(116,398)	152,288	(5,042)	147,246

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014)

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015**Consolidated Statements of Cash Flow**

	3 Months Ended 31.3.2015 RM'000	3 Months Ended 31.3.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	226	(3,682)
Adjustments for:		
Depreciation & amortisation	946	894
Other non-cash items	(75)	(6)
Dividend Income	(8)	-
Finance costs	459	446
Finance income	(209)	(328)
Operating profit/(loss) before working capital changes	<u>1,339</u>	<u>(2,676)</u>
Decrease/(increase) in property development cost	803	(1,293)
Decrease/(increase) in inventories	565	1,440
Decrease/(increase) in trade and other receivables	(4,362)	(9,612)
Increase/(decrease) in trade and other payables	(808)	(2,802)
Cash generated from/(used in) operations	<u>(2,463)</u>	<u>(14,943)</u>
Interest paid	(444)	(448)
Tax paid	129	(147)
Net cash from/(used in) operating activities	<u>(2,778)</u>	<u>(15,538)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	209	336
Expenditure on land held for property development	(81)	(59)
Proceeds from disposal of available-for-sale financial assets	-	-
Purchase of available-for-sale financial assets	(8)	-
Purchase of property, plant and equipment	(238)	(117)
Proceeds from disposal of property, plant and equipment	100	-
Net dividend received	8	-
Net cash from/(used in) investing activities	<u>(10)</u>	<u>160</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings, net drawdown/(repayment)	1,016	850
Repayments of hire purchase payables	(114)	(98)
Net cash from/(used in) financing activities	<u>902</u>	<u>752</u>
Effects of exchange rate changes on cash and cash equivalents	748	(97)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	<u>(1,138)</u>	<u>(14,723)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>37,922</u>	<u>46,288</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>36,784</u>	<u>31,565</u>

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015

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 2014. 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 2014.

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 2014, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs and IC Interpretations which are effective for the financial period beginning on or after 1 January 2015:

Amendments to FRS 119 Defined Benefits Plans: Employee Contributions
Annual Improvements to FRSs 2010 - 2012 Cycle
Annual Improvements to FRSs 2011 - 2013 Cycle

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.

The Group has not early adopted the following FRSs and amendments to FRSs that have been issued but not yet effective:

		<u>Effective for financial periods beginning on or after</u>
FRS 14	Regulatory Deferral Accounts	1 Jan 2016
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016
Amendments to FRS 101	Disclosure Initiative	1 Jan 2016
Amendments to FRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
Amendments to FRS 116 and 141	Agriculture: Bearer Plants	1 Jan 2016
Amendments to FRS 127	Equity Method in Separate Financial Statements	1 Jan 2016
Amendments to FRS 10 & 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 Jan 2016
Amendments to FRS 10, 12 and 128	Investment Entities: Applying the Consolidated Exception	1 Jan 2016
Annual Improvements to FRSs 2012 - 2014 Cycle		1 Jan 2016
FRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 Jan 2018

These new and amended standards will have no significant changes on the financial statements of the Group upon their initial application except for FRS 9 which will result in a change in accounting policy. The Group is currently examining the financial impact of adopting FRS 9.

NOTES TO THE INTERIM FINANCIAL REPORT

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 (herein called “Transitioning Entities”).

MASB has further announced on 2 September 2014 that, Transitioning Entities shall be required to apply the MFRS framework for annual periods beginning on or after 1 January 2017.

The Group falls within the scope 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 2017. 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.

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.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015

NOTES TO THE INTERIM FINANCIAL REPORT

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 2015.

A8 Dividends Paid

No dividend has been paid during the financial period ended 31 March 2015.

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.

	Property Development	Investment Holding	Manufacturing & Trading	Leisure & Entertainment	Others	Elimination	Total
3 months ended	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.3.2015							
Segment Revenue							
External revenue	7,587	454	14,861	-	-	-	22,902
Intersegment revenue	-	311	-	-	-	(311)	-
	<u>7,587</u>	<u>766</u>	<u>14,861</u>	<u>-</u>	<u>-</u>	<u>(311)</u>	<u>22,902</u>
Segment Results							
Profit/(loss) from operations	2,253	(1,041)	216	204	(1)	-	1,631
Finance costs	(6)	(290)	(163)	-	-	-	(459)
Depreciation & amortisation	(162)	(37)	(327)	(420)	-	-	(946)
Profit/(loss) before tax	<u>2,084</u>	<u>(1,368)</u>	<u>(273)</u>	<u>(216)</u>	<u>(1)</u>	<u>-</u>	<u>226</u>
Tax	(164)	-	3	(11)	-	-	(172)
Profit/(loss) from ordinary activities after tax	<u>1,920</u>	<u>(1,368)</u>	<u>(270)</u>	<u>(227)</u>	<u>(1)</u>	<u>-</u>	<u>54</u>
Minority interests	-	-	-	(45)	-	-	(45)
Net profit/(loss) attributable to shareholders	<u>1,920</u>	<u>(1,368)</u>	<u>(270)</u>	<u>(272)</u>	<u>(1)</u>	<u>-</u>	<u>9</u>
Assets and Liabilities							
Segment assets	82,862	71,155	43,862	15,682	703	-	214,264
Segment liabilities	<u>20,567</u>	<u>17,088</u>	<u>17,107</u>	<u>17,351</u>	<u>6</u>	<u>-</u>	<u>72,119</u>

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015**NOTES TO THE INTERIM FINANCIAL REPORT**

3 months ended	Property	Investment	Manufacturing	Leisure &			
31.3.2014	Development	Holding	& Trading	Entertainment	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment Revenue							
External revenue	1,708	279	11,631	-	-	-	13,618
Intersegment revenue	-	13	-	-	-	(13)	-
	<u>1,708</u>	<u>292</u>	<u>11,631</u>	<u>-</u>	<u>-</u>	<u>(13)</u>	<u>13,618</u>
Segment Results							
Profit/(loss) from operations	(828)	(894)	(282)	(325)	(13)	-	(2,342)
Finance costs	(9)	(304)	(132)	-	-	-	(445)
Depreciation & amortisation	(156)	(44)	(327)	(367)	-	-	(894)
Profit/(loss) before tax	(993)	(1,242)	(741)	(692)	(13)	-	(3,681)
Tax	(19)	-	3	(9)	-	-	(25)
Profit/(loss) from ordinary activities after tax	(1,012)	(1,242)	(738)	(701)	(13)	-	(3,706)
Minority interests	-	-	-	214	-	-	214
Net profit/(loss) attributable to shareholders	<u>(1,012)</u>	<u>(1,242)</u>	<u>(738)</u>	<u>(487)</u>	<u>(13)</u>	<u>-</u>	<u>(3,492)</u>
Assets and Liabilities							
Segment assets	83,522	83,284	34,256	14,166	720	-	215,948
Segment liabilities	19,854	17,912	15,053	15,877	6	-	68,702

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 2015 up to the 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 2015.

A13 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets since 31 December 2015.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015

NOTES TO THE INTERIM FINANCIAL REPORT

A14 Outstanding Commitments

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

A15 Related Party Transactions

The following related party transactions were carried out in the ordinary course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	3 months ended
	31.3.2015
	RM'000
Rental income received / receivable from related party	<u>186</u>

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 registered a revenue of RM22.9 million and a profit before tax of RM0.2 million in the first quarter ended 31 March 2015 as compared to a revenue of RM13.62 million and a loss before tax of RM3.68 million in the preceding year first quarter. The manufacturing and trading division recorded an increase of RM3.23 million in revenue and a lower loss of RM0.44 million due to increase in demand as a result of competitive pricing. The property division recorded a RM5.88 million increase in revenue due to higher contribution from Bandar Meru Raya and Taman Saikat projects in Ipoh and the launch of Pinnacle Kelana Jaya. The Group's RM0.2 million profit in the period under review was mainly attributable to the higher property development profit recognised of RM2.1 million, offset by losses of the remaining divisions.

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 2015 vs Fourth Quarter 2014

During the 3 months ended 31 March 2015, the Group recorded a revenue of RM22.9 million, an increase of RM4.63 million from RM18.27 million in the preceding 3 months ended 31 December 2014. The increase in revenue was mainly due to higher contribution from the property and manufacturing and trading divisions in the first quarter 2015.

The property division recorded a 49% increase in revenue from RM5.08 million in the fourth quarter 2014 to RM7.59 million in the first quarter 2015 mainly due to higher contribution from the Group's projects in Ipoh and the new project launch in Kelana Jaya. Higher revenue was recorded by the manufacturing division as a result of higher domestic demand.

Profit before tax was RM0.2 million in the first quarter 2015 as compared to a loss of RM1.06 million in the fourth quarter 2014 mainly due to the contribution of the Pinnacle Kelana Jaya project.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015

NOTES TO THE INTERIM FINANCIAL REPORT

B3 Commentary on Prospects

The Group's results are expected to improve with new property projects undertaken in 2015. Faced with intense competition, the Group expects the manufacturing division's operating environment in 2015 to be similar to 2014. Hence, its focus will be on improving operating margin and retaining core customers.

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

Not applicable.

B5 Taxation

**3 months
Ended
31.3.2015
RM'000**

Taxation based on the results for the period:

Malaysian taxation	209
Overseas taxation	11
Transfer to/(from) deferred taxation	(48)
	<hr/>
	172
Under/(over) provision of taxation in respect of prior periods	-
	<hr/>
	172
	<hr/>

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.

B6 Status of Corporate Proposals

No corporate proposal was undertaken by the Group in the financial period ended 31 March 2015.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015**NOTES TO THE INTERIM FINANCIAL REPORT****B7 Group Borrowings**

	As at 31.3.2015 RM'000
Current	
Secured:-	
RM denominated	<u>12,776</u>
Non-current	
Secured:-	
RM denominated	<u>14,920</u>
Borrowings maturity:	
Less than one year	12,776
Later than one year and not later than two years	2,255
Later than two years and not later than five years	9,471
Later than five years	<u>3,194</u>
	<u>27,696</u>

B8 Realised and Unrealised Losses

	As at 31.3.2015 RM'000	As at 31.12.2014 RM'000
Total accumulated losses of South Malaysia Industries Berhad and its subsidiaries		
- Realised	(137,280)	(145,831)
- Unrealised	292	249
	<u>(136,988)</u>	<u>(145,582)</u>
Less: consolidated adjustments	14,504	23,089
Total Group accumulated losses	<u>(122,484)</u>	<u>(122,493)</u>

B9 Derivative Financial Instruments

There were no derivative financial instruments as at the financial period ended 31 March 2015.

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015

NOTES TO THE INTERIM FINANCIAL REPORT

B10 Material Litigation

A wholly owned subsidiary company of the Company, Perantara Properties Sdn Bhd ("PPSB"), has, since year 2010, been involved in a dispute with the Joint Management Body ("JMB") of Kelana Square, Petaling Jaya (a commercial project undertaken and completed in year 2000 by PPSB) involving the car parks of the said project ("Car Parks"), which has a carrying value of RM2 million in the books of PPSB. Prior to the trial of the case, PPSB has successfully applied to have the case struck out at the Kuala Lumpur High Court ("the Court"). However, the Court of Appeal has reinstated the case resulting in a trial.

The Court had on 18 July 2014 decided in favour of the JMB to the effect that the Car Parks is a common property of Kelana Square. However, PPSB has since filed an appeal to the Court of Appeal and the Court has granted the Stay of Execution pending the hearing of appeal on 18 August 2015.

B11 Dividends

The Directors do not recommend any payment of dividend for the financial period ended 31 March 2015.

B12 Profit/(Loss) From Operations

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

	3 Months Ended	
	31.3.2015	31.3.2014
	RM'000	RM'000
(a) Other income including investment income	(1,046)	(403)
(b) Depreciation and amortisation	946	894
(c) Provision for and write-off of receivables	28	18
(d) Foreign exchange loss/(gain)	37	(20)

Other than the above, there were no impairment of assets, gain or loss on disposal of quoted investment, gain or loss on derivatives, provision for and write-off of inventories and exceptional items for the current quarter and financial period ended 31 March 2015.

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2015

NOTES TO THE INTERIM FINANCIAL REPORT

B13 Earnings per Share

	3 Months Ended	
	31.3.2015	31.3.2014
	RM'000	RM'000
(a) Basic Earnings per Share		
Net Profit/(loss) attributable to shareholders	9	(3,492)
Weighted average number of shares in issue ('000)	209,940	209,940
Basic earnings/(loss) per share (sen)	<u>0.00</u>	<u>(1.66)</u>

(b) Diluted Earnings per Share

There is no dilutive event as at 31 March 2015 and 31 March 2014. Therefore, the diluted EPS is the same as the basic EPS.

By Order of the Board

Tan Siew Chin
Company Secretary
Kuala Lumpur
Date: 27 May 2015