

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	3 Months Ended		12 Months Ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Revenue	18,525	15,526	71,374	72,563
Operating Expenses	(18,814)	(18,380)	(64,927)	(78,717)
Other Expenses	(2,257)	(323)	(4,242)	(2,032)
Interest Income	137	255	731	998
Other Operating Income	565	(559)	2,107	5,990
Profit/(loss) from Operations	(1,844)	(3,481)	5,043	(1,198)
Finance costs	(346)	(410)	(1,635)	(1,761)
Investing Results	-	-	-	-
Profit/(loss) before tax	(2,190)	(3,891)	3,408	(2,959)
Tax	(934)	165	(1,781)	(543)
Net Profit/(loss) for the period	(3,124)	(3,726)	1,627	(3,502)
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange differences on translating foreign operations	(2,363)	526	(2,376)	411
- Fair value of available-for-sale financial assets	(484)	(4)	(2,175)	(968)
Other comprehensive income for the period, net of tax	(2,847)	522	(4,551)	(557)
Total comprehensive income for the period	(5,971)	(3,204)	(2,924)	(4,059)
Profit/(loss) attributable to:				
Owners of the parent	(2,070)	(3,406)	2,983	(3,944)
Minority Interests	(1,054)	(320)	(1,356)	442
	(3,124)	(3,726)	1,627	(3,502)
Total comprehensive income attributable to:				
Owners of the parent	(1,797)	(2,878)	1,498	(2,696)
Minority Interests	(4,174)	(326)	(4,422)	(1,363)
	(5,971)	(3,204)	(2,924)	(4,059)
Earnings/(loss) per share attributable to equity holders of the parent:				
Basic/Diluted (sen)	(0.99)	(1.62)	1.42	(1.88)

(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 2015)

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2016

Condensed Consolidated Statements of Financial Position

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	37,626	39,138
Prepaid lease payments	512	699
Investment properties	34,185	36,455
Land held for property development	6,230	6,068
Available-for-sale financial assets	24,160	25,468
Trade and other receivables	4,525	5,906
	<u>107,238</u>	<u>113,734</u>
Current assets		
Inventories	19,651	21,469
Trade and other receivables	29,462	21,301
Cash and cash equivalents	34,687	45,751
	<u>83,800</u>	<u>88,521</u>
TOTAL ASSETS	<u>191,038</u>	<u>202,255</u>
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	209,940	209,940
Reserves	(64,177)	(65,675)
Shareholders' equity	<u>145,763</u>	<u>144,265</u>
Minority Interest	<u>(11,349)</u>	<u>(6,927)</u>
TOTAL EQUITY	<u>134,414</u>	<u>137,338</u>
LIABILITIES		
Non-current liabilities		
Borrowings	11,031	13,432
Deferred liabilities	595	323
	<u>11,626</u>	<u>13,755</u>
Current liabilities		
Trade and other payables	34,978	39,962
Borrowings	9,917	10,816
Derivative financial liabilities	-	10
Taxation	103	374
	<u>44,998</u>	<u>51,162</u>
TOTAL LIABILITIES	<u>56,624</u>	<u>64,917</u>
TOTAL EQUITY AND LIABILITIES	<u>191,038</u>	<u>202,255</u>
Net assets per share (RM) attributable to ordinary equity holders of the parent	0.69	0.69

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015)

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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	
12 months ended 31.12.2016									
At 1.1.2016	209,940	34,299	20,218	1,168	5,076	(126,436)	144,265	(6,927)	137,338
Profit/(loss) for the period	-	-	-	-	-	2,983	2,983	(1,356)	1,627
Other comprehensive income	-	-	690	-	(2,175)	-	(1,485)	(3,066)	(4,551)
Total comprehensive income for the period	-	-	690	-	(2,175)	2,983	1,498	(4,422)	(2,924)
At 31.12.2016	209,940	34,299	20,908	1,168	2,901	(123,453)	145,763	(11,349)	134,414
12 months ended 31.12.2015									
At 1.1.2015	209,940	34,299	18,003	1,168	6,044	(122,493)	146,961	(5,564)	141,397
Profit/(loss) for the period	-	-	-	-	-	(3,944)	(3,944)	442	(3,502)
Other comprehensive income	-	-	2,215	-	(967)	-	1,248	(1,805)	(557)
Total comprehensive income for the period	-	-	2,215	-	(967)	(3,944)	(2,696)	(1,363)	(4,059)
At 31.12.2015	209,940	34,299	20,218	1,168	5,077	(126,437)	144,265	(6,927)	137,338

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015)

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2016

Consolidated Statements of Cash Flow

	12 Months Ended 31.12.2016 RM'000	12 Months Ended 31.12.2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	3,407	(2,959)
Adjustments for:		
Depreciation & amortisation	2,391	4,002
Other non-cash items	1,678	(3,500)
Dividend Income	(3)	(170)
Finance costs	1,635	1,761
Finance income	(731)	(998)
Operating profit/(loss) before working capital changes	<u>8,377</u>	<u>(1,864)</u>
Decrease/(increase) in property development cost	4,120	2,992
Decrease/(increase) in inventories	(2,261)	4,067
Decrease/(increase) in trade and other receivables	(6,788)	8,532
Increase/(decrease) in trade and other payables	(4,860)	(3,434)
Cash generated from/(used in) operations	<u>(1,412)</u>	<u>10,293</u>
Interest paid	(2,018)	(1,723)
Tax paid	(1,303)	(902)
Net cash from/(used in) operating activities	<u>(4,733)</u>	<u>7,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	730	1,000
Expenditure on land held for property development	(265)	(182)
Acquisition of land for property development	-	1,037
Proceeds from disposal of available-for-sale financial assets	1,398	-
Purchase of available-for-sale financial assets	(1,391)	(25)
Purchase of property, plant and equipment	(705)	(484)
Proceeds from disposal of property, plant and equipment	1,000	459
Net cash outflow arising on liquidation of subsidiary	(3,634)	-
Net dividend received	3	170
Net cash from/(used in) investing activities	<u>(2,864)</u>	<u>1,975</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings, net drawdown/(repayment)	(2,827)	(2,330)
Repayments of hire purchase payables	(473)	(467)
Net cash from/(used in) financing activities	<u>(3,300)</u>	<u>(2,797)</u>
Effects of exchange rate changes on cash and cash equivalents	(167)	983
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	<u>(11,064)</u>	<u>7,829</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>45,751</u>	<u>37,922</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>34,687</u>	<u>45,751</u>

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2016

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 2015. 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 2015.

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 2015, 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 2016:

FRS 14	Regulatory Deferral Accounts
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 101	Disclosure Initiative
Amendments to FRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements
Amendments to FRS 10, 12 and 128	Investment Entities: Applying the Consolidated Exception
Annual Improvements to FRSs 2012 - 2014 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:

		Effective for financial periods beginning on or after
Amendments to FRS 107	Disclosure Initiative	1 Jan 2017
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 Jan 2017
Amendments to FRS 12	Disclosure of Interests in Other Entities	1 Jan 2017
Amendments to FRS 128	Investment in Associates and Joint Ventures	1 Jan 2018
Amendments to FRS 140	Transfers of Investment Property	1 Jan 2018
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions	1 Jan 2018
FRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 Jan 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 Jan 2018
Amendments to FRS 10 & 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework and continue to use the existing FRS Framework. The adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

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 2018. 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.

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 December 2016.

A8 Dividends Paid

No dividend has been paid during the financial period ended 31 December 2016.

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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

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

12 months ended	Property Development	Investment Holding	Manufacturing & Trading	Others	Elimination	Total
31.12.2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment Revenue						
External revenue	26,585	3,213	41,576	-	-	71,374
Intersegment revenue	-	35,992	-	-	(35,992)	-
	<u>26,585</u>	<u>39,205</u>	<u>41,576</u>	<u>-</u>	<u>(35,992)</u>	<u>71,374</u>
Segment Results						
Profit/(loss) from operations	10,353	(6,852)	3,941	(8)	-	7,434
Finance costs	(67)	(983)	(585)	-	-	(1,635)
Depreciation & amortisation	(580)	(426)	(1,385)	-	-	(2,391)
Profit/(loss) before tax	<u>9,706</u>	<u>(8,261)</u>	<u>1,971</u>	<u>(8)</u>	<u>-</u>	<u>3,408</u>
Tax	(1,576)	(204)	(1)	-	-	(1,781)
Profit/(loss) from ordinary activities after tax	<u>8,130</u>	<u>(8,465)</u>	<u>1,970</u>	<u>(8)</u>	<u>-</u>	<u>1,627</u>
Minority interests	-	1,356	-	-	-	1,356
Net profit/(loss) attributable to shareholders	<u>8,130</u>	<u>(7,109)</u>	<u>1,970</u>	<u>(8)</u>	<u>-</u>	<u>2,983</u>
Assets and Liabilities						
Segment assets	56,234	97,461	36,610	733	-	191,038
Segment liabilities	15,663	29,673	11,283	5	-	56,624

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12 months ended	Property	Investment	Manufacturing	Others	Elimination	Total
31.12.2015	Development	Holding	& Trading	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment Revenue						
External revenue	20,304	3,279	48,980	-	-	72,563
Intersegment revenue	-	8,754	-	-	(8,754)	-
	<u>20,304</u>	<u>12,033</u>	<u>48,980</u>	<u>-</u>	<u>(8,754)</u>	<u>72,563</u>
Segment Results						
Profit/(loss) from operations	2,180	(776)	1,419	(20)	-	2,803
Finance costs	(61)	(1,128)	(572)	-	-	(1,761)
Depreciation & amortisation	(684)	(1,989)	(1,328)	-	-	(4,001)
Profit/(loss) before tax	1,435	(3,893)	(481)	(20)	-	(2,959)
Tax	(498)	(51)	6	-	-	(543)
Profit/(loss) from ordinary activities after tax	937	(3,944)	(475)	(20)	-	(3,502)
Minority interests	-	(442)	-	-	-	(442)
Net profit/(loss) attributable to shareholders	<u>937</u>	<u>(4,386)</u>	<u>(475)</u>	<u>(20)</u>	<u>-</u>	<u>(3,944)</u>
Assets and Liabilities						
Segment assets	83,681	78,543	39,304	727	-	202,255
Segment liabilities	19,927	31,583	13,401	6	-	64,917

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 December 2016 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 December 2016 except for:

- (a) the striking off of the Company's wholly-owned subsidiary company, Kinta Setia Holdings Sdn Bhd from the register of Companies Commission of Malaysia pursuant of Section 308(4) of the Companies Act, 1965 on 30 August 2016; and
- (b) the acquisition of the entire interest in Multi Zone Communications Sdn Bhd (now known as SMI Multi Zone Sdn Bhd) comprising 2 ordinary shares of RM1.00 each for a total consideration of RM2.00 from Selochana A/P Murugiah and Salasih Binti Mohd Said on 23 December 2016.

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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 30 September 2016.

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:

	12 months ended 31.12.2016 RM'000
Rental income received / receivable from related party	<u>764</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 RM18.53 million and a loss before tax of RM2.19 million in the fourth quarter ended 31 December 2016 as compared to a revenue of RM15.53 million and a loss before tax of RM3.89 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a revenue of RM10.39 million, a decrease of RM0.78 million due to lower market demand and the investment holding division recorded lower revenue of RM1.0m offset by higher revenue recorded by the property division. The property division recorded a revenue of RM7.33 million, an increase of RM4.85 million arising from the higher contribution of the Pinnacle Kelana Jaya project and projects in Ipoh. As for the investment holding division, lower revenue of RM1.0 million was recorded as a result of the reclassification of rental income for year 2015 from the Group's leisure and entertainment division to revenue of the investment holding division in the fourth quarter 2015 due to the change in the principal activity of the subsidiary company in China.

The Group's loss was lower in the period under review mainly due to the higher gross profit margin of the property division. The division recorded a profit before taxation of RM2.28 million, a significant increase of RM4.07 million as compared with a loss of RM1.79 million in the preceding year corresponding quarter as a result of higher contribution from Pinnacle project and projects in Ipoh.

The Group's investment holding division in China has recorded a higher loss of RM1.9 million as compared with RM0.72 million in the fourth quarter ended 31 December 2015 due to the absence of certain write-back of expenses.

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NOTES TO THE INTERIM FINANCIAL REPORT

B1 Review of Performance of the Company and its Principal Subsidiaries (Cont'd)

For the Twelve Months Period

The Group's revenue of RM71.37 million for the financial year ended 31 December 2016 represents a 2% or RM1.19 million decrease from RM72.56 million in the corresponding year ended 31 December 2015. The property division recorded an increase of RM6.28 million due to higher contribution from Pinnacle Kelana Jaya project offset by lower contribution from Taman Saikat and Bandar Meru Raya projects in Ipoh. The manufacturing and trading division recorded a decrease of 15% or RM7.4 million in revenue as compared to the corresponding year ended 31 December 2015 mainly due to the absence of sales from the stocking up by customers prior to the implementation of GST on 1 April 2015.

Gross profit margin of the Group increased from 18.9% in the financial year ended 31 December 2015 to 34.4% in the financial year ended 31 December 2016 mainly due to higher margin from the manufacturing and trading division and higher recognition of the Pinnacle Kelana Jaya project and write-back of property development expenditure of a completed project.

The Group recorded operating profit before tax of RM3.41 million for the financial year ended 31 December 2016 as compared to a loss of RM2.96 million in the corresponding year ended 31 December 2015. The manufacturing and trading division recorded a profit before tax of RM1.97 million as compared to RM0.48 million loss in the corresponding year ended 31 December 2015 due to higher gross profit margin as a result of higher selling prices and lower production costs. Higher profit was also recorded by the property division at RM9.71 million, a significant increase from RM1.44 million for the year ended 31 Decemebr 2015. This was mainly due to higher profit recognition of the Pinnacle Kelana Jaya project and RM2.4 million write back of property development expenditure of a completed project. Meanwhile, the Group's China operation recorded a loss before tax of RM4.06 million as compared to RM2.16 million due to the absence of certain expenses written back in the year ended 31 December 2015 and a net foreign exchange loss of RM0.94 million on the liquidation of a foreign 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

Fourth Quarter 2016 vs Third Quarter 2016

During the 3 months ended 31 December 2016, the Group's revenue of RM18.53 million represents an increase of RM4.8 million from the RM13.73 million revenue recorded in the preceding 3 months ended 30 September 2016. The increase in revenue was mainly due to higher contribution from the property division of RM7.33 million in the Fourth quarter 2016 as compared with RM4.3 million in the third quarter 2016 as a result of higher progress of development works of the on-going projects in Ipoh and the Pinnacle project. The manufacturing and trading division has also recorded higher revenue of RM10.39 million in the fourth quarter 2016 as compared with RM8.61 million in the third quarter 2016 mainly due to increased orders from customers before the year end.

Loss before tax of RM2.19 million in the fourth quarter 2016 as compared to a profit of RM1.58 million in the third quarter 2016. The manufacturing and trading division recorded a loss of RM0.59 million in the fourth quarter 2016 as compared with a profit of RM0.5 million in the third quarter 2016 as a result of lower gross profit margin arising from increase in raw materials costs.

The property division recorded a higher profit of RM2.3 million in the fourth quarter 2016 as compared to RM2.8 million in the third quarter 2016 mainly due to the RM2.3 million write back of property development expenditure of a completed project in the third quarter 2016 offset by higher contribution from the Pinnacle project and on-going projects in Ipoh.

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NOTES TO THE INTERIM FINANCIAL REPORT

Fourth Quarter 2016 vs Third Quarter 2016 (cont'd)

The Group's investment holding division has recorded a higher loss of RM3.4 million in the fourth quarter 2016 as compared RM1.7 million in the third quarter ended 30 September 2016 due to an additional impairment of a leasehold building in china of RM0.75 million and higher administrative expenses.

B3 Commentary on Prospects

The directors expect the uncertainty in the economic and business environment to prevail in 2017 and are cautiously optimistic that the Group will achieve satisfactory results in the year 2017.

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

Not applicable.

B5 Taxation

	3 months Ended 31.12.2016 RM'000	12 months Ended 31.12.2016 RM'000
Taxation based on the results for the period:		
Malaysian taxation	583	1,285
Overseas taxation	36	204
Transfer to/(from) deferred taxation	(19)	(62)
	<u>600</u>	<u>1,427</u>
Under/(over) provision of taxation in respect of prior year	334	354
	<u>934</u>	<u>1,781</u>

The disproportionate tax charge in the current period was mainly due to non availability of group relief in respect of losses incurred by the Company and 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 year ended 31 December 2016

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2016**NOTES TO THE INTERIM FINANCIAL REPORT****B7 Group Borrowings**

	As at 31.12.2016 RM'000
Current	
Secured:-	
RM denominated	<u>9,917</u>
Non-current	
Secured:-	
RM denominated	<u>11,031</u>
Borrowings maturity:	
Less than one year	9,917
Later than one year and not later than two years	2,316
Later than two years and not later than five years	8,715
	<u>20,948</u>

B8 Realised and Unrealised Losses

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Total accumulated losses of South Malaysia Industries Berhad and its subsidiaries		
- Realised	(152,773)	(125,291)
- Unrealised	865	1,126
	<u>(151,908)</u>	<u>(124,165)</u>
Less: consolidated adjustments	28,455	(2,271)
Total Group accumulated losses	<u>(123,453)</u>	<u>(126,436)</u>

B9 Derivative Financial Instruments

There were no derivative financial instruments as at financial period ended 31 December 2016.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2016

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 High Court"). However, the Court of Appeal has reinstated the case resulting in a trial.

The High 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. The matter was heard by the Court of Appeal on 17 February 2016 and the Court of Appeal has on 26 February 2016 decided in favour of PPSB, i.e. the car park is not a common property of Kelana Square. JMB has filed to the Federal Court and the hearing for Motion for Leave is fixed on 25 August 2016. The Federal Court has on 25 August 2016 dismissed the JMB's application for Leave to appeal with cost. As such, the ownership of the Car Parks lies with PPSB.

B11 Dividends

The Directors do not recommend any payment of dividend for the financial period ended 31 December 2016.

B12 Profit/(Loss) From Operations

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

	3 Months Ended		12 Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
(a) Other income including investment income	(112)	(55)	(1,261)	(5,007)
(b) Depreciation and amortisation	622	941	2,391	4,002
(c) Provision for and write-off of receivables	6	8	6	36
(d) Loss/(gain) on disposal of quoted investments	(5)	(3)	(7)	(3)
(e) Foreign exchange loss/(gain)	22	(162)	(370)	350
(f) Loss/(gain) on derivatives	-	157	177	(356)
(g) Inventories write-down	62	15	62	15
(h) Fair value adjustment of receivables	(468)	(590)	(468)	(590)
(i) Impairment of investment property	1,104	-	2,136	-
(j) Net loss on liquidation of subsidiary company	975	-	975	-

Other than the above, there were no impairment of assets, gain or loss on disposal of quoted investment, and exceptional items for the current quarter and financial period ended 31 December 2016.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2016

NOTES TO THE INTERIM FINANCIAL REPORT

B13 Earnings per Share

	3 Months Ended		12 Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
(a) Basic Earnings per Share				
Net Profit/(loss) attributable to shareholders	(2,070)	(3,406)	2,983	(3,944)
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	<u>(0.99)</u>	<u>(1.62)</u>	<u>1.42</u>	<u>(1.88)</u>

(b) Diluted Earnings per Share

There is no dilutive event as at 31 December 2016 and 31 December 2015. 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 February 2017