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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2017

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	3 Months Ended		6 Months Ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Revenue	15,163	19,128	26,992	39,123
Operating Expenses	(10,587)	(17,131)	(24,822)	(34,650)
Other Expenses	(468)	(459)	(3,892)	(1,372)
Interest Income	134	172	257	435
Other Operating Income	356	1,160	32,916	1,292
Profit/(loss) from Operations	4,598	2,870	31,451	4,828
Finance costs	(365)	(394)	(685)	(808)
Investing Results	-	-	-	-
Profit/(loss) before tax	4,233	2,476	30,766	4,020
Tax	(897)	(189)	(915)	(539)
Net Profit/(loss) for the period	3,336	2,287	29,851	3,481
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange differences on translating foreign operations	511	582	577	(655)
- Fair value of available-for-sale financial assets	(1,040)	(725)	653	(1,209)
Other comprehensive income for the period, net of tax	(529)	(143)	1,230	(1,864)
Total comprehensive income for the period	2,807	2,144	31,081	1,617
Profit/(loss) attributable to:				
Owners of the parent	3,605	1,881	30,443	3,342
Minority Interests	(269)	406	(592)	139
	3,336	2,287	29,851	3,481
Total comprehensive income atrributable to:				
Owners of the parent	2,543	2,157	30,916	1,223
Minority Interests	264	(13)	165	394
	2,807	2,144	31,081	1,617
Earnings/(loss) per share attributable to equity holders of the parent:				
Basic/Diluted (sen)	1.72	0.90	14.50	1.59

(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 2016)

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2017

Condensed Consolidated Statements of Financial Position

	As at 30.6.2017 RM'000	As at 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	13,116	37,626
Prepaid lease payments	418	512
Investment properties	88,679	34,185
Land held for property development	4,955	6,230
Available-for-sale financial assets	30,052	24,160
Trade and other receivables	4,525	4,525
	141,745	107,238
Current assets		
Inventories	19,209	19,651
Trade and other receivables	27,947	29,386
Cash and cash equivalents	31,595	34,687
	78,751	83,724
TOTAL ASSETS	**220,496**	**190,962**
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	244,239	209,940
Reserves	(67,570)	(64,187)
Shareholders' equity	176,669	145,753
Minority Interest	(11,184)	(11,349)
TOTAL EQUITY	165,485	134,404
LIABILITIES		
Non-current liabilities		
Borrowings	9,958	11,031
Deferred liabilities	515	524
	10,473	11,555
Current liabilities		
Trade and other payables	32,858	34,978
Borrowings	10,905	9,917
Taxation	775	108
	44,538	45,003
TOTAL LIABILITIES	55,011	56,559
TOTAL EQUITY AND LIABILITIES	**220,496**	**190,963**
Net assets per share (RM) attributable to ordinary equity holders of the parent	0.84	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 2016)

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2017

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	Total		
6 months	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ended 30.06.2017									
At 1.1.2017	209,940	34,299	20,908	1,168	2,901	(123,463)	145,753	(11,349)	134,404
Adjustments for effect of Companies Act 2016 (Note a)	34,299	(34,299)	-	-	-	-	-	-	-
Profit/(loss) for the period	-	-	-	-	-	30,443	30,443	(592)	29,851
Other comprehensive income	-	-	(180)	-	653	-	473	757	1,230
Total comprehensive income for the period	-	-	(180)	-	653	30,443	30,916	165	31,081
At 30.06.2017	244,239	-	20,728	1,168	3,554	(93,020)	176,669	(11,184)	165,485
		$\underbrace{\qquad\qquad\qquad\qquad}_{(67,570)}$							
6 months									
ended 30.06.2016									
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	-	-	-	-	-	3,342	3,342	139	3,481
Other comprehensive income	-	-	(910)	-	(1,209)	-	(2,119)	255	(1,864)
Total comprehensive income for the period	-	-	(910)	-	(1,209)	3,342	1,223	394	1,617
At 30.06.2016	209,940	34,299	19,308	1,168	3,867	(123,094)	145,488	(6,533)	138,955
		$\underbrace{\qquad\qquad\qquad\qquad}_{(64,452)}$							

Note a:

The new Companies Act 2016 (the "Act"), which come into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM34,299,055 become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, The Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Sections 618(3). There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016)

Consolidated Statements of Cash Flow

	6 Months Ended 30.6.2017 RM'000	6 Months Ended 30.6.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	30,766	4,020
Adjustments for:		
Depreciation & amortisation	1,045	1,209
Other non-cash items	(30,686)	(320)
Dividend Income	(1)	(1)
Finance costs	685	808
Finance income	(257)	(435)
Operating profit/(loss) before working capital changes	1,552	5,281
Decrease/(increase) in property development cost	515	1,992
Decrease/(increase) in inventories	1,481	(1,397)
Decrease/(increase) in trade and other receivables	1,442	(6,476)
Increase/(decrease) in trade and other payables	(1,464)	2,123
Cash generated from/(used in) operations	3,526	1,523
Interest paid	(669)	(1,126)
Tax paid	(255)	(930)
Net cash from/(used in) operating activities	2,602	(533)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	258	435
Expenditure on land held for property development	(278)	(68)
Proceeds from disposal of available-for-sale financial assets	323	503
Purchase of available-for-sale financial assets	(5,156)	(501)
Purchase of property, plant and equipment	(451)	(369)
Proceeds from disposal of property, plant and equipment	-	942
Net dividend received	1	1
Net cash from/(used in) investing activities	(5,303)	943
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings, net drawdown/(repayment)	60	(1,507)
Repayments of hire purchase payables	(230)	(242)
Net cash from/(used in) financing activities	(170)	(1,749)
Effects of exchange rate changes on cash and cash equivalents	(221)	(604)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	(3,092)	(1,943)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	34,687	45,751
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	31,595	43,808

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 conjuction with the Group's audited financial statements for the financial year ended 31 December 2016. 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 2016.

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 2016, 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 2017:

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to FRSs 2014 - 2016 Cycle:	
Amendments to FRS 12	Disclosure of Interests in Other Entities

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
Annual Improvement to FRSs 2014 - 2016 Cycle:		
Amendments to FRS 1		1 Jan 2018
Amendments to FRS 128		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 Consideraton	1 Jan 2018
Amendments to FRS 10 & 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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 examinating 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 Cyclicality 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 30 June 2017.

A8 Dividends Paid

No dividend has been paid during the financial period ended 30 June 2017.

NOTES TO THE INTERIM FINANCIAL REPORT

A9 Segment Reporting

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

(a) Property development - develop and sale of residential and commercial properties
(b) Property & Investment Holding - investment in properties, carpark operation 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.

6 months ended 30.6.2017	Property Development RM'000	Property & Investment Holding RM'000	Manufacturing & Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment Revenue						
External revenue	3,857	3,376	19,759	-	-	26,992
Intersegment revenue	-	31,606	-	-	(31,606)	-
	3,857	34,982	19,759	-	(31,606)	26,992
Segment Results						
Profit/(loss) from operations	4,491	27,533	473	(1)	-	32,496
Finance costs	(7)	(426)	(252)	-	-	(685)
Depreciation & amortisation	(126)	(210)	(709)	-	-	(1,045)
Profit/(loss) before tax	4,358	26,897	(488)	(1)	-	30,766
Tax	(900)	(22)	7	-	-	(915)
Profit/(loss) from ordinary activities after tax	3,458	26,875	(481)	(1)	-	29,851
Minority interests	-	592	-	-	-	592
Net profit/(loss) attributable to shareholders	3,458	27,467	(481)	(1)	-	30,443
Assets and Liabilities						
Segment assets	49,709	134,540	35,435	812	-	220,496
Segment liabilities	17,401	26,988	10,618	4	-	55,011

The group undertook an internal restructuring exercise which saw the Kelana Square car parks, its assets and its business operations ("Carparks"), being transferred from Perantara Properties Sdn Bhd to SMI Multi Zone Sdn Bhd ("SMIZ") whilst the Zenith Corporate Park Carparks was transferred from the Company to SMIZ. The two Carparks were transferred on 18 January 2017 at fair values. The assets were reclassified from property, plant and equipment to investment properties at the Group level.

NOTES TO THE INTERIM FINANCIAL REPORT

6 months ended 30.6.2016	Property Development RM'000	Investment Holding RM'000	Manufacturing & Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment Revenue						
External revenue	14,950	1,596	22,577	-	-	39,123
Intersegment revenue	-	617	-	-	(617)	-
	14,950	2,213	22,577	-	(617)	39,123
Segment Results						
Profit/(loss) from operations	4,991	(1,975)	3,024	(3)	-	6,037
Finance costs	(8)	(513)	(287)	-	-	(808)
Depreciation & amortisation	(336)	(193)	(680)	-	-	(1,209)
Profit/(loss) before tax	4,647	(2,681)	2,057	(3)	-	4,020
Tax	(531)	(15)	7	-	-	(539)
Profit/(loss) from ordinary activities after tax	4,116	(2,696)	2,064	(3)	-	3,481
Minority interests	-	(139)	-	-	-	(139)
Net profit/(loss) attributable to shareholders	4,116	(2,835)	2,064	(3)	-	3,342
Assets and Liabilities						
Segment assets	81,849	80,660	39,375	736	-	202,620
Segment liabilities	20,100	30,427	13,134	4	-	63,665

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 30 June 2017 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 30 June 2017.

NOTES TO THE INTERIM FINANCIAL REPORT

A13 Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities and contingent assets since 31 March 2017.

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:

	6 months ended 30.6.2017 RM'000
Rental income received / receivable from related party	385

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

	30.6.2017	30.6.2016	Changes	
3 Months Ended	RM'000	RM'000	RM'000	%
Revenue				
Property Development	3,540	5,503	(1,963)	-36%
Property & Investment Holding	1,691	801	890	111%
Manufacturing & Trading	9,932	12,824	(2,892)	-23%
	15,163	19,128	(3,965)	-21%
Profit Before Tax				
Property Development	6,030	976	5,054	518%
Property & Investment Holding and Others	(1,129)	(915)	(214)	23%
Manufacturing & Trading	(668)	2,415	(3,083)	-128%
	4,233	2,476	1,757	71%

The Group registered a revenue of RM15.16 million and a profit before tax of RM4.23 million in the second quarter ended 30 June 2017 as compared to a revenue of RM19.13 million and a profit before tax of RM2.48 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a lower revenue of RM9.93 million in the second quarter ended 30 June 2017 as compared to RM12.82 million in the second quarter 2016 mainly due to decreased order from customers.

NOTES TO THE INTERIM FINANCIAL REPORT

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

For the Quarter (cont'd)

The property development division recorded a revenue of RM3.54 million, a decrease of RM5.5 million as a result of lower contribution from the Pinnacle Kelana Jaya project and projects in Ipoh. As for the property and investment holding division, higher revenue of RM0.9 million was recorded as a result of the reclassification of the carpark revenue for the second quarter 2017 from property development to property and investment holding division whereby the carpark premises were reclassified from property, plant and equipment to investment properties.

The Group's profit was higher in the period under review mainly due to the higher gross profit margin of the property development divison offset by lower margin of the manufacturing and trading division. The manufacturing and trading division recorded a loss before taxation of RM0.7 million as compared with a profit of RM2.42 million in the preceding year corresponding quarter. Sales quantities reduced by 36% as a result of a 21% increase in selling prices in response to a 63% increase in raw materials costs. This has eroded the gross profit margin by 23% in the second quarter 2017. The property development division's profit in the period under review was mainly due to a write-back of property development expenditure of a completed project of RM5.3 million.

For the Six Months Period

	30.6.2017	30.6.2016	Changes	
6 Months Ended	RM'000	RM'000	RM'000	%
Revenue				
Property Development	3,857	14,946	(11,089)	-74%
Property & Investment Holding	3,376	1,600	1,776	111%
Manufacturing & Trading	19,759	22,577	(2,818)	-12%
	26,992	39,123	(12,131)	-31%
Profit Before Tax				
Property Development	4,358	4,648	(290)	-6%
Property & Investment Holding and Others	26,896	(2,685)	29,581	1102%
Manufacturing & Trading	(488)	2,057	(2,545)	-124%
	30,766	4,020	26,746	665%

The Group's revenue of RM26.99 million for the financial period ended 30 June 2017 represents a 31% or RM12.13 million decrease from RM39.12 million in the corresponding period ended 30 June 2016. The property division recorded a decrease of RM11.09 million due to lower contribution from the Pinnacle Kelana Jaya project and lower contribution from Taman Saikat and Bandar Meru Raya projects in Ipoh. As for the property and investment holding division, higher revenue of RM1.78 million was recorded as a result of the reclassification of the carpark revenue for the finanical period ended 30 June 2017 from property development to property and investment holding division whereby the carpark premises were reclassified from property, plant and equipment to investment properties. The manufacturing and trading division recorded a decrease of 12% or RM2.82 million in revenue as compared to the corresponding period ended 30 June 2016 mainly due to reduced sales quantities.

Gross profit margin of the Group increased from 32.3% in the financial period ended 30 June 2016 to 56% in the financial period ended 30 June 2017 mainly due to higher margin from the Pinnacle Kelana Jaya and the write-back of property development expenditure of a completed project offset by lower margin of the manufaturing and trading division.

NOTES TO THE INTERIM FINANCIAL REPORT

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

For the Six Months Period (cont'd)

The Group recorded profit before tax of RM30.77 million for the financial period ended 30 June 2017 as compared to RM4.02 million in the corresponding period ended 30 June 2016. The manufacturing and trading division recorded a loss before tax of RM0.49 million as compared to a profit of RM2.06 million in the corresponding period ended 30 June 2016 due to lower gross profit margin as a result of higher production costs. Sales quantities reduced by 29% as a result of a 23% increase in selling prices in response to a 49% increase in raw materials costs. Gross profit margin decreased by 11% for the financial period ended 30 June 2017 as compared to the preceeding financial period ended 30 June 2016. Lower profit was also recorded by the property division at RM4.36 million, a slight decrease from RM4.65 million for the financial period ended 30 June 2016. This was mainly due to lower contribution from the Pinnacle Kelana Jaya project offset by a write back of property development expenditure of a completed project.

In the period ended 30 June 2017, the Group recorded a fair value gain of RM29.6 million in respect of the carpark premises at Kelana Jaya which were reclassified from property, plant and equipment to investment properties at their fair values based on valuations by an independent firm of professional valuers on 1 January 2017. The valuations were based on the comparison and cost method of valuation where reference were made to comparable properties in the neighbourhood and making adjustments for differences.

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

Second Quarter 2017 vs First Quarter 2017

	Current Quarter 30.6.2017	Immediate Preceding Quarter 31.3.2017	Changes	
Revenue	RM'000	RM'000	RM'000	%
Property Development	3,540	317	3,223	1018%
Property & Investment Holding	1,691	1,685	6	0%
Manufacturing & Trading	9,932	9,827	105	1%
	15,163	11,829	3,334	28%
Profit Before Tax				
Property Development	6,030	(1,672)	7,702	-461%
Property & Investment Holding and Others	(1,129)	28,025	(29,154)	-104%
Manufacturing & Trading	(668)	180	(848)	-471%
	4,233	26,533	(22,300)	-84%

During the 3 months ended 30 June 2017, the Group's revenue of RM15.16 million represents an increase of RM3.33 million or 28% from the RM11.83 million revenue recorded in the preceding 3 months ended 30 June 2016. The increase in revenue was mainly due to higher contribution from the property division of RM3.54 million in the second quarter 2017 as compared with RM0.32 million in the first quarter 2017 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 recorded slightly higher revenue of RM9.93 million in the second quarter 2017 as compared with RM9.83 million in the first quarter 2017 mainly due to increase in selling prices.

NOTES TO THE INTERIM FINANCIAL REPORT

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

Second Quarter 2017 vs First Quarter 2017 (cont'd)

Profit before tax of RM4.23 million in the second quarter 2017 was significantly lower as compared to RM26.53 million in the first quarter 2017. The manufacturing and trading division recorded a loss of RM0.7 million in the second quarter 2017 as compared with a profit of RM0.2 million in the first quarter 2017 as a result of a 8% decrease in gross profit margin arising from a 15% increase in production cost offset by a 5% increase in selling prices.

The property division recorded a profit of RM6.03 million in the second quarter 2017 as compared to a loss of RM1.67 million in the first quarter 2017 mainly due to higher contribution from on-going projects in Ipoh and a RM5.3 million write-back of property development expenditure of a completed project.

The Group's property and investment holding division has recorded a lower operating loss of RM1.13 million in the second quarter 2017 as compared to RM2.86 million in the first quarter 2017 due to lower operating expenses. The division's profit before tax of RM28.03 million in the first quarter 2017 was after the adjustment for a fair value gain of RM29.6 million arising from the change in the classification of car park premises from property, plant and equipment to investment properties.

B3 Commentary on Prospects

The property market was soft in the second quarter of 2017 and prices remained flat with low transaction volumes. This situation is expected to continue for the remaining year. The Group will focus on the completion of the Pinnacle Kelana Jaya project and its existing projects in Ipoh, namely Taman Saikat, Bandar Meru Raya and Taman Ipoh Jaya.

Demand for galvanized wires is expected to remain subdued in 2017. With the imposition of safeguards duty on wire rods imports from 42 countries, the Group's average production cost has increased. In the coming quarters, demand is expected to weaken due to resistance to higher selling prices. The manufacturing division will strive to minimise losses in the second half of 2017.

Despite the unfavourable busines environment, the Group expects satisfactory operating results for the financial year 2017.

NOTES TO THE INTERIM FINANCIAL REPORT

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

Not applicable.

B5 Taxation

	3 months Ended 30.6.2017 RM'000	6 months Ended 30.6.2016 RM'000
Taxation based on the results for the period:		
Malaysian taxation	864	872
Overseas taxation	11	22
Transfer to/(from) deferred taxation	(7)	(8)
	868	886
Under/(over) provision of taxation in respect of prior year	29	29
	897	915

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 period ended 30 June 2017.

NOTES TO THE INTERIM FINANCIAL REPORT

B7 Group Borrowings

	As at 30.6.2017 RM'000	As at 30.6.2016 RM'000
Current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	301	459
- Bankers' acceptance (floating interest rate)	8,558	7,917
- Term loan (floating interest rate)	2,046	1,874
	10,905	10,250
Non-current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	478	696
- Term loan (floating interest rate)	9,480	11,552
	9,958	12,248
Borrowings maturity:		
Less than one year	10,905	10,250
Later than one year and not later than two years	2,370	2,308
Later than two years and not later than five years	7,575	9,940
Later than five years	13	-
	20,863	22,498
The weighted average effective rates per annum are as follows:		
- Finance lease liabilities	4.53%	4.48%
- Bankers' acceptance	5.99%	6.10%
- Term loan	7.10%	7.35%
The proportion of debts are as follows:		
- Fixed interest rate	3.7%	5.1%
- Floating interest rate	96.3%	94.9%

B8 Realised and Unrealised Losses

	As at 30.6.2017 RM'000	As at 31.12.2016 RM'000
Total accumulated losses of South Malaysia Industries Berhad and its subsidiaries		
- Realised	(162,853)	(152,854)
- Unrealised	33,399	936
	(129,454)	(151,918)
Less: consolidated adjustments	36,434	28,455
Total Group accumulated losses	(93,020)	(123,463)

NOTES TO THE INTERIM FINANCIAL REPORT

B9 Derivative Financial Instruments

There were no derivative financial instruments as at financial period ended 30 June 2017.

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 30 June 2017.

B12 Profit/(Loss) From Operations

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

	3 Months Ended		6 Months Ended	
	30.6.2017	**30.6.2016**	**30.6.2017**	**30.6.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(a) Other income including investment income	(139)	(994)	(194)	(1,052)
(b) Depreciation and amortisation	530	611	1,045	1,209
(c) Loss/(gain) on disposal of quoted investments	(2)	(2)	(2)	(2)
(d) Foreign exchange loss/(gain)	(7)	(139)	(21)	(198)
(e) Loss/(gain) on derivatives	-	(40)	-	182
(f) Fair value adjustment of investment property	349	342	(30,473)	679
(g) Reversal of impairment of investment	(200)	-	(200)	-

Other than the above, there were no impairment of assets, gain or loss on disposal of quoted investment, provision for and write-off of inventories and exceptional items for the current quarter and financial period ended 30 June 2017.

NOTES TO THE INTERIM FINANCIAL REPORT

B13 Earnings per Share

	3 Months Ended		6 Months Ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
(a) Basic Earnings per Share				
Net Profit/(loss) attributable to shareholders	3,605	1,881	30,443	3,342
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	1.72	0.90	14.50	1.59

(b) Diluted Earnings per Share

There is no dilutive event as at 30 June 2017 and 30 June 2016. Therefore, the diluted EPS is the same as the basic EPS.

By Order of the Board

Tan Siew Chin
Company Secretary
Kuala Lumpur
Date: 30 August 2017