

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

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

**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 Months Ended		9 Months Ended	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Revenue	17,820	13,726	44,812	52,849
Operating Expenses	(18,628)	(11,463)	(43,450)	(46,113)
Other Expenses	(487)	(612)	(4,379)	(1,985)
Interest Income	168	159	425	594
Other Operating Income	119	250	33,035	1,542
Profit/(loss) from Operations	(1,008)	2,059	30,443	6,887
Finance costs	(299)	(481)	(984)	(1,290)
Investing Results	-	-	-	-
Profit/(loss) before tax	(1,307)	1,578	29,459	5,598
Tax	(301)	(307)	(1,216)	(847)
Net Profit/(loss) for the period	(1,608)	1,270	28,243	4,751
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange differences on translating foreign operations	1,804	643	2,381	(12)
- Fair value of available-for-sale financial assets	(504)	(483)	148	(1,691)
Other comprehensive income for the period, net of tax	1,300	160	2,529	(1,704)
Total comprehensive income for the period	(309)	1,430	30,772	3,047
Profit/(loss) attributable to:				
Owners of the parent	(1,346)	1,712	29,097	5,053
Minority Interests	(262)	(441)	(854)	(303)
	(1,608)	1,270	28,243	4,751
Total comprehensive income attributable to:				
Owners of the parent	(2,544)	2,073	28,372	3,296
Minority Interests	2,235	(643)	2,400	(249)
	(309)	1,430	30,772	3,047
<b>Earnings/(loss) per share attributable to equity holders of the parent:</b>				
Basic/Diluted (sen)	(0.64)	0.82	13.86	2.41

(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)

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(Incorporated in Malaysia)

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

**Condensed Consolidated Statements of Financial Position**

	<b>As at 30.9.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	12,698	37,626
Prepaid lease payments	378	512
Investment properties	88,349	34,185
Land held for property development	5,049	6,230
Available-for-sale financial assets	29,006	24,160
Trade and other receivables	4,525	4,525
	<u>140,005</u>	<u>107,238</u>
<b>Current assets</b>		
Inventories	18,076	19,651
Trade and other receivables	29,771	29,386
Available-for-sale financial assets	1,043	-
Cash and cash equivalents	26,612	34,687
	<u>75,502</u>	<u>83,724</u>
<b>TOTAL ASSETS</b>	<b><u>215,507</u></b>	<b><u>190,962</u></b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's equity holders</b>		
Share capital	244,239	209,940
Reserves	(70,114)	(64,187)
Shareholders' equity	<u>174,125</u>	<u>145,753</u>
<b>Minority Interest</b>	<u>(8,949)</u>	<u>(11,349)</u>
<b>TOTAL EQUITY</b>	<b><u>165,176</u></b>	<b><u>134,404</u></b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	9,389	11,031
Deferred liabilities	513	524
	<u>9,902</u>	<u>11,555</u>
<b>Current liabilities</b>		
Trade and other payables	30,309	34,978
Borrowings	9,127	9,917
Taxation	993	108
	<u>40,429</u>	<u>45,003</u>
<b>TOTAL LIABILITIES</b>	<b><u>50,331</u></b>	<b><u>56,558</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>215,507</u></b>	<b><u>190,962</u></b>
Net assets per share (RM) attributable to ordinary equity holders of the parent	0.83	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)

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 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
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>9 months ended 30.09.2017</b>									
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	-	-	-	-	-	29,097	29,097	(854)	28,243
Other comprehensive income	-	-	(873)	-	148	-	(725)	3,254	2,529
Total comprehensive income for the period	-	-	(873)	-	148	29,097	28,372	2,400	30,772
At 30.09.2017	244,239	-	20,035	1,168	3,049	(94,366)	174,125	(8,949)	165,176
									(70,114)
<b>9 months ended 30.09.2016</b>									
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	-	-	-	-	-	5,053	5,053	(303)	4,751
Other comprehensive income	-	-	(66)	-	(1,691)	-	(1,757)	54	(1,703)
Total comprehensive income for the period	-	-	(66)	-	(1,691)	5,053	3,296	(249)	3,048
At 30.09.2016	209,940	34,299	20,152	1,168	3,385	(121,383)	147,561	(7,176)	140,386
									(62,379)

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)

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

**Consolidated Statements of Cash Flow**

	<b>9 Months Ended 30.9.2017 RM'000</b>	<b>9 Months Ended 30.9.2016 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit/(loss) before tax</b>	29,459	5,598
Adjustments for:		
Depreciation & amortisation	1,575	1,769
Other non-cash items	(30,347)	50
Dividend Income	(20)	(1)
Finance costs	984	1,290
Finance income	(425)	(594)
<b>Operating profit/(loss) before working capital changes</b>	<u>1,226</u>	<u>8,112</u>
Decrease/(increase) in property development cost	503	2,812
Decrease/(increase) in inventories	2,664	(2,990)
Decrease/(increase) in trade and other receivables	(52)	(6,074)
Increase/(decrease) in trade and other payables	(1,618)	(3,217)
Cash generated from/(used in) operations	<u>2,723</u>	<u>(1,357)</u>
Interest paid	(946)	(1,583)
Tax paid	(573)	(1,168)
Net cash from/(used in) operating activities	<u>1,204</u>	<u>(4,108)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	329	593
Expenditure on land held for property development	(411)	(113)
Proceeds from disposal of available-for-sale financial assets	2,091	503
Purchase of available-for-sale financial assets	(7,959)	(1,391)
Purchase of property, plant and equipment	(525)	(644)
Proceeds from disposal of property, plant and equipment	-	955
Net dividend received	20	1
Net cash from/(used in) investing activities	<u>(6,455)</u>	<u>(96)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans and borrowings, net drawdown/(repayment)	(2,180)	307
Repayments of hire purchase payables	(337)	(361)
Net cash from/(used in) financing activities	<u>(2,517)</u>	<u>(54)</u>
Effects of exchange rate changes on cash and cash equivalents	(307)	(508)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>	<u>(8,075)</u>	<u>(4,766)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>34,687</u>	<u>45,751</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<u>26,612</u>	<u>40,985</u>

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

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### A1 Accounting Policies

The interim financial report is prepared in accordance with Financial Reporting Standards 134 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The figures have not been audited.

The interim financial report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 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
Amendments to FRS 4	Applying MFRS 9 <i>Financial Instruments with MFRS 4 Insurance Contracts</i>	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
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 Jan 2019
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 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 30 September 2017.

**A8 Dividends Paid**

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

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## INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 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.

9 months ended	Property	Property & Investment	Manufacturing	Others	Elimination	Total
	Development	Holding	& Trading			
30.9.2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>						
External revenue	7,281	5,087	32,444	-	-	44,812
Intersegment revenue	-	31,997	-	-	(31,997)	-
	<u>7,281</u>	<u>37,084</u>	<u>32,444</u>	<u>-</u>	<u>(31,997)</u>	<u>44,812</u>
<b>Segment Results</b>						
Profit/(loss) from operations	5,004	26,491	524	(2)	-	32,017
Finance costs	(11)	(631)	(342)	-	-	(984)
Depreciation & amortisation	(190)	(314)	(1,071)	-	-	(1,575)
Profit/(loss) before tax	<u>4,803</u>	<u>25,546</u>	<u>(889)</u>	<u>(2)</u>	<u>-</u>	<u>29,458</u>
Tax	(1,189)	(37)	10	-	-	(1,216)
Profit/(loss) from ordinary activities after tax	<u>3,614</u>	<u>25,509</u>	<u>(879)</u>	<u>(2)</u>	<u>-</u>	<u>28,242</u>
Minority interests	-	854	-	-	-	854
Net profit/(loss) attributable to shareholders	<u>3,614</u>	<u>26,363</u>	<u>(879)</u>	<u>(2)</u>	<u>-</u>	<u>29,096</u>
<b>Assets and Liabilities</b>						
Segment assets	49,563	130,139	34,880	925	-	215,507
Segment liabilities	<u>15,159</u>	<u>24,308</u>	<u>10,863</u>	<u>1</u>	<u>-</u>	<u>50,331</u>

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.

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017****NOTES TO THE INTERIM FINANCIAL REPORT**

<b>9 months ended</b>	<b>Property</b>	<b>Investment</b>	<b>Manufacturing</b>	<b>Others</b>	<b>Elimination</b>	<b>Total</b>
<b>30.9.2016</b>	<b>Development</b>	<b>Holding</b>	<b>&amp; Trading</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Segment Revenue</b>						
External revenue	19,254	2,413	31,182	-	-	52,849
Intersegment revenue	-	925	-	-	(925)	-
	<u>19,254</u>	<u>3,338</u>	<u>31,182</u>	<u>-</u>	<u>(925)</u>	<u>52,849</u>
<b>Segment Results</b>						
Profit/(loss) from operations	7,921	(3,323)	4,061	(2)	-	8,657
Finance costs	(64)	(753)	(473)	-	-	(1,290)
Depreciation & amortisation	(433)	(306)	(1,030)	-	-	(1,769)
Profit/(loss) before tax	7,424	(4,382)	2,558	(2)	-	5,598
Tax	(688)	(168)	9	-	-	(847)
Profit/(loss) from ordinary activities after tax	6,736	(4,550)	2,567	(2)	-	4,751
Minority interests	-	302	-	-	-	302
Net profit/(loss) attributable to shareholders	<u>6,736</u>	<u>(4,248)</u>	<u>2,567</u>	<u>(2)</u>	<u>-</u>	<u>5,053</u>
<b>Assets and Liabilities</b>						
Segment assets	82,291	79,102	38,667	736	-	200,796
Segment liabilities	16,748	31,319	12,339	4	-	60,410

**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 September 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 September 2017.



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

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### 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 30 June 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:

	9 months ended 30.9.2017 RM'000
Rental income received / receivable from related party	<u>577</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

	30.9.2017 RM'000	30.9.2016 RM'000	Changes	
<b>3 Months Ended</b>			RM'000	%
<b><u>Revenue</u></b>				
Property Development	3,424	4,302	(878)	-20%
Property & Investment Holding	1,711	819	892	109%
Manufacturing & Trading	12,685	8,605	4,081	47%
	<u>17,820</u>	<u>13,726</u>	<u>4,094</u>	<u>30%</u>
<b><u>Profit Before Tax</u></b>				
Property Development	445	2,778	(2,333)	-84%
Property & Investment Holding and Others	(1,352)	(1,702)	350	-21%
Manufacturing & Trading	(401)	502	(903)	-180%
	<u>(1,308)</u>	<u>1,578</u>	<u>(2,886)</u>	<u>-183%</u>

The Group registered a revenue of RM17.82 million and a loss before tax of RM1.31 million in the third quarter ended 30 September 2017 as compared to a revenue of RM13.73 million and a profit before tax of RM1.58 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a higher revenue of RM12.69 million in the third quarter ended 30 September 2017 as compared to RM8.61 million in the third quarter 2016 mainly due to increased order from customers.

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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 Quarter (cont'd)

The property development division recorded a revenue of RM3.42 million, a decrease of RM0.9 million as a result of lower contribution from the Pinnacle Kelana Jaya project offset by higher contribution from the Ipoh projects. 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 third 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 recorded a loss in the period under review mainly due to the lower gross profit margin of the property development division and lower margin of the manufacturing and trading division. The manufacturing and trading division recorded a loss before taxation of RM0.4 million as compared with a profit of RM0.5 million in the preceding year corresponding quarter. Sales quantities reduced by 26% as a result of a 17% increase in selling prices in response to a 47% increase in raw materials costs. This has eroded the gross profit margin by 9% in the third quarter 2017. Lower profit from the property development division in the period under review was mainly due to lower contribution from Pinnacle Kelana Jaya project offset by higher contribution from the Ipoh projects.

##### For the Nine Months Period

9 Months Ended	30.9.2017	30.9.2016	Changes	
	RM'000	RM'000	RM'000	%
<b>Revenue</b>				
Property Development	7,281	19,248	(11,967)	-62%
Property & Investment Holding	5,087	2,419	2,668	110%
Manufacturing & Trading	32,444	31,182	1,263	4%
	<u>44,812</u>	<u>52,849</u>	<u>(8,037)</u>	<u>-15%</u>
<b>Profit Before Tax</b>				
Property Development	4,802	7,426	(2,624)	-35%
Property & Investment Holding and Others	25,545	(4,387)	29,932	682%
Manufacturing & Trading	(889)	2,559	(3,448)	-135%
	<u>29,458</u>	<u>5,598</u>	<u>23,860</u>	<u>426%</u>

The Group's revenue of RM44.81 million for the financial period ended 30 September 2017 represents a 15% or RM8.04 million decrease from RM52.85 million in the corresponding period ended 30 September 2016. The property division recorded a decrease of RM11.97 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 RM2.67 million was recorded as a result of the reclassification of the carpark revenue for the financial period ended 30 September 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 an increase of 4% or RM1.26 million in revenue as compared to the corresponding period ended 30 September 2016 mainly due to increased in selling prices.

Gross profit margin of the Group decreased from 35.6% in the financial period ended 30 September 2016 to 30% in the financial period ended 30 September 2017 mainly due to lower contribution from the Pinnacle Kelana Jaya and lower margin of the manufacturing and trading division.

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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 Nine Months Period (cont'd)

The Group recorded profit before tax of RM29.46 million for the financial period ended 30 September 2017 as compared to RM5.6 million in the corresponding period ended 30 September 2016. The manufacturing and trading division recorded a loss before tax of RM0.89 million as compared to a profit of RM2.56 million in the corresponding period ended 30 September 2016 due to lower gross profit margin as a result of higher production costs. Sales quantities reduced by 15% as a result of a 22% increase in selling prices in response to a 50% increase in raw materials costs. Gross profit margin decreased by 10.6% for the financial period ended 30 September 2017 as compared to the preceding financial period ended 30 September 2016. Lower profit was also recorded by the property division at RM4.8 million as compared to RM7.43 million for the financial period ended 30 September 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 September 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

##### Third Quarter 2017 vs Second Quarter 2017

	Current Quarter 30.9.2017 RM'000	Immediate Preceding Quarter 30.6.2017 RM'000	Changes	
			RM'000	%
<b>Revenue</b>				
Property Development	3,424	3,541	(117)	-3%
Property & Investment Holding	1,711	1,691	20	1%
Manufacturing & Trading	12,685	9,932	2,753	28%
	17,820	15,164	2,656	18%
<b>Profit Before Tax</b>				
Property Development	445	6,029	(5,584)	-93%
Property & Investment Holding and Others	(1,352)	(1,128)	(224)	20%
Manufacturing & Trading	(401)	(668)	267	-40%
	(1,308)	4,233	(5,541)	-131%

During the 3 months ended 30 September 2017, the Group's revenue of RM17.82 million represents an increase of RM2.66 million or 18% from the RM15.16 million revenue recorded in the preceding 3 months ended 30 September 2016. The increase in revenue was mainly due to higher contribution from the manufacturing and trading division of RM12.69 million in the third quarter 2017 as compared with RM9.93 million in the second quarter 2017 as a result of 27% increased in sales quantities. The manufacturing and trading division recorded slightly lower revenue of RM3.42 million in the third quarter 2017 as compared with RM3.54 million in the second quarter 2017 mainly due to lower contribution from Pinnacle Kelana Jaya project offset by higher contribution from the on-going Ipoh projects.

**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**

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

The Group recorded a loss before tax of RM1.31 million in the third quarter 2017 as compared to a profit of RM4.23 million in the second quarter 2017 was mainly due to the absence of RM5.3 million write-back of property development expenditure of a completed project.

The property division recorded a profit of RM0.45 million in the third quarter 2017 as compared to RM6.03 million in the second quarter 2017 mainly due the absence of RM5.3 million write-back of property development expenditure of a completed project.

The Group's manufacturing and trading division has recorded lower loss of RM0.4 million in the third quarter 2017 as compared to RM0.67 million loss in the second quarter 2017 mainly due to higher gross profit margin as a result of a 27% increase in sales quantities.

The Group's property and investment holding division has recorded a slightly higher operating loss of RM1.35 million in the third quarter 2017 as compared to RM1.13 million in the second quarter 2017 mainly due to absence of a reversal of impairment of investment of RM0.2 million made in the second quarter of 2017.

**B3 Commentary on Prospects**

The property market was soft in the third 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 fourth quarter of 2017.

Overall, the Group expects satisfactory results for the financial year 2017.

# SOUTH MALAYSIA INDUSTRIES BERHAD ( 8482 - D )

(Incorporated in Malaysia)

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

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### 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 30.9.2017 RM'000	9 months Ended 30.9.2017 RM'000
Taxation based on the results for the period:		
Malaysian taxation	410	1,283
Overseas taxation	15	37
Transfer to/(from) deferred taxation	(2)	(11)
	<u>423</u>	<u>1,309</u>
Under/(over) provision of taxation in respect of prior year	(122)	(93)
	<u>301</u>	<u>1,216</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 period ended 30 September 2017.

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

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017****NOTES TO THE INTERIM FINANCIAL REPORT****B7 Group Borrowings**

	As at 30.9.2017 RM'000	As at 30.9.2016 RM'000
<b>Current</b>		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	242	448
- Bankers' acceptance (floating interest rate)	6,814	10,189
- Term loan (floating interest rate)	2,071	1,940
	<u>9,127</u>	<u>12,577</u>
<b>Non-current</b>		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	430	588
- Term loan (floating interest rate)	8,959	11,029
	<u>9,389</u>	<u>11,617</u>
<b>Borrowings maturity:</b>		
Less than one year	9,127	12,577
Later than one year and not later than two years	2,388	2,312
Later than two years and not later than five years	6,992	9,305
Later than five years	9	-
	<u>18,516</u>	<u>24,194</u>
The weighted average effective rates per annum are as follows:		
- Finance lease liabilities	4.46%	4.48%
- Bankers' acceptance	5.98%	6.02%
- Term loan	7.10%	7.35%
The proportion of debts are as follows:		
- Fixed interest rate	3.6%	4.3%
- Floating interest rate	96.4%	95.7%

**B8 Realised and Unrealised Losses**

	As at 30.9.2017 RM'000	As at 31.12.2016 RM'000
Total accumulated losses of South Malaysia Industries Berhad and its subsidiaries		
- Realised	(167,349)	(152,854)
- Unrealised	33,427	936
	<u>(133,923)</u>	<u>(151,918)</u>
Less: consolidated adjustments	39,557	28,455
Total Group accumulated losses	<u>(94,365)</u>	<u>(123,463)</u>

# SOUTH MALAYSIA INDUSTRIES BERHAD ( 8482 - D )

(Incorporated in Malaysia)

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

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### B9 Derivative Financial Instruments

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

#### B12 Profit/(Loss) From Operations

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

	3 Months Ended		9 Months Ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM'000	RM'000	RM'000	RM'000
(a) Other income including investment income	(129)	(97)	(323)	(1,149)
(b) Depreciation and amortisation	530	560	1,575	1,769
(c) Loss/(gain) on disposal of quoted investments	(4)	-	(6)	(2)
(d) Foreign exchange loss/(gain)	23	(194)	1	(392)
(e) Loss/(gain) on derivatives	-	(5)	-	177
(f) Fair value adjustment of investment property	357	353	(30,115)	1,033
(g) Reversal of impairment of investment	-	-	(200)	-

Other than the above, there were no impairment of assets, provision for and write-off of receivables, provision for and write-off of inventories and exceptional items for the current quarter and financial period ended 30 September 2017.

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

(Incorporated in Malaysia)

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

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**NOTES TO THE INTERIM FINANCIAL REPORT****B13 Earnings per Share**

	<b>3 Months Ended</b>		<b>9 Months Ended</b>	
	<b>30.9.2017</b>	<b>30.9.2016</b>	<b>30.9.2017</b>	<b>30.9.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Basic Earnings per Share</b>				
Net Profit/(loss) attributable to shareholders	(1,346)	1,712	29,097	5,053
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	<u>(0.64)</u>	<u>0.82</u>	<u>13.86</u>	<u>2.41</u>

**(b) Diluted Earnings per Share**

There is no dilutive event as at 30 September 2017 and 30 September 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: 22 November 2017