

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2017**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 Months Ended		12 Months Ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Revenue	19,267	18,525	64,079	71,374
Operating Expenses	(20,855)	(18,815)	(64,307)	(64,928)
Other Expenses	(221)	(2,257)	(4,600)	(4,242)
Interest Income	157	137	583	731
Other Operating Income	3,619	565	36,655	2,107
Profit/(loss) from Operations	1,967	(1,845)	32,410	5,042
Finance costs	(384)	(345)	(1,368)	(1,635)
Investing Results	-	-	-	-
Profit/(loss) before tax	1,583	(2,190)	31,042	3,407
Tax	(6)	(944)	(1,222)	(1,790)
Net Profit/(loss) for the period	1,577	(3,134)	29,820	1,617
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange differences on translating foreign operations	(3,325)	(2,363)	(944)	(2,376)
- Fair value of available-for-sale financial assets	577	(484)	725	(2,175)
Other comprehensive income for the period, net of tax	(2,748)	(2,847)	(219)	(4,551)
Total comprehensive income for the period	(1,171)	(5,981)	29,601	(2,934)
Profit/(loss) attributable to:				
Owners of the parent	(354)	(2,080)	28,743	2,973
Minority Interests	1,931	(1,054)	1,077	(1,356)
	1,577	(3,134)	29,820	1,617
Total comprehensive income attributable to:				
Owners of the parent	(1,466)	(1,807)	26,906	1,488
Minority Interests	295	(4,174)	2,695	(4,422)
	(1,171)	(5,981)	29,601	(2,934)
Earnings/(loss) per share attributable to equity holders of the parent:				
Basic/Diluted (sen)	(0.17)	(0.99)	13.69	1.42

(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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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2017

Condensed Consolidated Statements of Financial Position

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	12,387	37,626
Prepaid lease payments	327	512
Investment properties	88,191	34,185
Land held for property development	10,249	6,230
Available-for-sale financial assets	28,662	24,160
Trade and other receivables	3,017	4,525
	<u>142,833</u>	<u>107,238</u>
Current assets		
Inventories	19,448	19,651
Trade and other receivables	27,706	29,386
Available-for-sale financial assets	416	-
Cash and cash equivalents	26,537	34,687
	<u>74,107</u>	<u>83,724</u>
TOTAL ASSETS	<u>216,940</u>	<u>190,962</u>
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	244,239	209,940
Reserves	(71,580)	(64,187)
Shareholders' equity	<u>172,659</u>	<u>145,753</u>
Minority Interest	<u>(8,654)</u>	<u>(11,349)</u>
TOTAL EQUITY	<u>164,005</u>	<u>134,404</u>
LIABILITIES		
Non-current liabilities		
Borrowings	13,892	11,031
Deferred liabilities	450	524
	<u>14,342</u>	<u>11,555</u>
Current liabilities		
Trade and other payables	25,658	34,978
Borrowings	12,722	9,917
Taxation	213	108
	<u>38,593</u>	<u>45,003</u>
TOTAL LIABILITIES	<u>52,935</u>	<u>56,558</u>
TOTAL EQUITY AND LIABILITIES	<u>216,940</u>	<u>190,962</u>
Net assets per share (RM) attributable to ordinary equity holders of the parent	0.82	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 FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 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			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
12 months ended 31.12.2017									
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	-	-	-	-	-	28,743	28,743	1,077	29,820
Other comprehensive income	-	-	(2,562)	-	725	-	(1,837)	1,618	(219)
Total comprehensive income for the period	-	-	(2,562)	-	725	28,743	26,906	2,695	29,601
At 31.12.2017	244,239	-	18,346	1,168	3,626	(94,720)	172,659	(8,654)	164,005
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	-	-	-	-	-	2,973	2,973	(1,356)	1,617
Other comprehensive income	-	-	690	-	(2,175)	-	(1,485)	(3,066)	(4,551)
Total comprehensive income for the period	-	-	690	-	(2,175)	2,973	1,488	(4,422)	(2,934)
At 31.12.2016	209,940	34,299	20,908	1,168	2,901	(123,463)	145,753	(11,349)	134,404

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 FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2017

Consolidated Statements of Cash Flow

	12 Months Ended 31.12.2017 RM'000	12 Months Ended 31.12.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	31,042	3,407
Adjustments for:		
Depreciation & amortisation	2,085	2,391
Other non-cash items	(33,614)	1,688
Dividend Income	-	(3)
Finance costs	1,368	1,635
Finance income	(583)	(731)
Operating profit/(loss) before working capital changes	<u>298</u>	<u>8,387</u>
Decrease/(increase) in property development cost	650	4,120
Decrease/(increase) in inventories	1,070	(2,261)
Decrease/(increase) in trade and other receivables	3,908	(6,787)
Increase/(decrease) in trade and other payables	(5,284)	(4,870)
Cash generated from/(used in) operations	<u>642</u>	<u>(1,411)</u>
Interest paid	(1,423)	(2,018)
Tax paid	(1,471)	(1,303)
Net cash from/(used in) operating activities	<u>(2,252)</u>	<u>(4,732)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	531	729
Expenditure on land held for property development	(585)	(265)
Acquisition of land for property development	(5,025)	-
Proceeds from disposal of available-for-sale financial assets	4,329	1,398
Purchase of available-for-sale financial assets	(9,561)	(1,391)
Purchase of property, plant and equipment	(698)	(705)
Proceeds from disposal of property, plant and equipment	-	1,000
Net cash outflow arising on liquidation of subsidiary	-	(3,634)
Net dividend received	-	3
Net cash from/(used in) investing activities	<u>(11,009)</u>	<u>(2,865)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings, net drawdown/(repayment)	5,999	(2,827)
Repayments of hire purchase payables	(418)	(473)
Net cash from/(used in) financing activities	<u>5,581</u>	<u>(3,300)</u>
Effects of exchange rate changes on cash and cash equivalents	(470)	(167)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	<u>(8,150)</u>	<u>(11,064)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>34,687</u>	<u>45,751</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>26,537</u>	<u>34,687</u>

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2017

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 <u>beginning on or after</u>
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 31 December 2017.

A8 Dividends Paid

No dividend has been paid during the financial period ended 31 December 2017.

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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.

12 months ended 31.12.2017	Property	Property & Investment	Manufacturing	Others	Elimination	Total
	Development	Holding	& Trading			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment Revenue						
External revenue	12,459	6,765	44,855	-	-	64,079
Intersegment revenue	-	34,787	-	-	(34,787)	-
	<u>12,459</u>	<u>41,552</u>	<u>44,855</u>	<u>-</u>	<u>(34,787)</u>	<u>64,079</u>
Segment Results						
Profit/(loss) from operations	6,423	27,563	518	(9)	-	34,495
Finance costs	(14)	(814)	(540)	-	-	(1,368)
Depreciation & amortisation	(254)	(398)	(1,433)	-	-	(2,085)
Profit/(loss) before tax	<u>6,155</u>	<u>26,351</u>	<u>(1,455)</u>	<u>(9)</u>	<u>-</u>	<u>31,042</u>
Tax	(1,180)	(52)	10	-	-	(1,222)
Profit/(loss) from ordinary activities after tax	<u>4,975</u>	<u>26,299</u>	<u>(1,445)</u>	<u>(9)</u>	<u>-</u>	<u>29,820</u>
Minority interests	-	(1,077)	-	-	-	(1,077)
Net profit/(loss) attributable to shareholders	<u>4,975</u>	<u>25,222</u>	<u>(1,445)</u>	<u>(9)</u>	<u>-</u>	<u>28,743</u>
Assets and Liabilities						
Segment assets	49,984	127,528	38,504	924	-	216,940
Segment liabilities	<u>15,913</u>	<u>22,281</u>	<u>14,735</u>	<u>7</u>	<u>-</u>	<u>52,936</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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12 months ended	Property	Investment	Manufacturing			
31.12.2016	Development	Holding	& Trading	Others	Elimination	Total
	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	10,352	(6,853)	3,941	(8)	-	7,432
Finance costs	(67)	(983)	(585)	-	-	(1,635)
Depreciation & amortisation	(580)	(425)	(1,385)	-	-	(2,390)
Profit/(loss) before tax	<u>9,705</u>	<u>(8,261)</u>	<u>1,971</u>	<u>(8)</u>	<u>-</u>	<u>3,407</u>
Tax	(1,585)	(204)	(1)	-	-	(1,790)
Profit/(loss) from ordinary activities after tax	<u>8,120</u>	<u>(8,465)</u>	<u>1,970</u>	<u>(8)</u>	<u>-</u>	<u>1,617</u>
Minority interests	-	1,356	-	-	-	1,356
Net profit/(loss) attributable to shareholders	<u>8,120</u>	<u>(7,109)</u>	<u>1,970</u>	<u>(8)</u>	<u>-</u>	<u>2,973</u>
Assets and Liabilities						
Segment assets	56,158	97,461	36,610	733	-	190,962
Segment liabilities	15,596	29,674	11,283	5	-	56,558

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 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 31 December 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 September 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:

	12 months ended 31.12.2017 RM'000
Rental income received / receivable from related parties	769
Advisory fee paid to a related party	<u>520</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

	31.12.2017 RM'000	31.12.2016 RM'000	Changes	
			RM'000	%
3 Months Ended				
Revenue				
Property Development	5,178	7,329	(2,151)	-29%
Property & Investment Holding	1,679	802	877	109%
Manufacturing & Trading	12,410	10,394	2,016	19%
	<u>19,267</u>	<u>18,525</u>	742	4%
Profit Before Tax				
Property Development	1,352	2,282	(930)	-41%
Property & Investment Holding and Others	797	(3,884)	4,681	121%
Manufacturing & Trading	(566)	(588)	22	4%
	<u>1,583</u>	<u>(2,190)</u>	3,773	172%

The Group registered a revenue of RM19.27 million and a profit before tax of RM1.58 million in the fourth quarter ended 31 December 2017 as compared to a revenue of RM18.53 million and a loss before tax of RM2.19 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a higher revenue of RM12.41 million in the fourth quarter ended 31 December 2017 as compared to RM10.39 million in the fourth quarter 2016 mainly due to increase in selling prices for all types of wires in 2017.

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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 RM5.18 million in the fourth quarter 2017, a decrease of RM2.15 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 fourth 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 profit in the period under review mainly due to a RM2.5 million write-back of non-payable shareholders loan and a foreign exchange gain on deregistration of a foreign subsidiary, Jenor International Limited and RM0.4 million fair value adjustment of other receivables.

For the Twelve Months Period

12 Months Ended	31.12.2017	31.12.2016	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
Property Development	12,459	26,577	(14,118)	-53%
Property & Investment Holding	6,765	3,221	3,544	110%
Manufacturing & Trading	44,855	41,576	3,279	8%
	<u>64,079</u>	<u>71,374</u>	<u>(7,295)</u>	<u>-10%</u>
Profit Before Tax				
Property Development	6,154	9,708	(3,554)	-37%
Property & Investment Holding and Others	26,343	(8,272)	34,615	418%
Manufacturing & Trading	(1,455)	1,971	(3,426)	-174%
	<u>31,042</u>	<u>3,407</u>	<u>27,635</u>	<u>811%</u>

The Group's revenue of RM64.08 million for the financial year ended 31 December 2017 represents a 10% or RM7.29 million decrease from RM71.37 million in the corresponding year ended 31 December 2016. The property division recorded a decrease of RM14.12 million due to lower contribution from the Pinnacle Kelana Jaya project. As for the property and investment holding division, higher revenue of RM3.54 million was recorded as a result of the reclassification of the carpark revenue for the financial year ended 31 December 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 8% or RM3.28 million in revenue as compared to the corresponding year ended 31 December 2016 mainly due to increase in selling prices.

Gross profit margin of the Group decreased from 34.4% in the financial year ended 31 December 2016 to 27% in the financial year ended 31 December 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 Twelve Months Period (cont'd)

The Group recorded profit before tax of RM31.04 million for the financial year ended 31 December 2017 as compared to RM3.41 million in the corresponding year ended 31 December 2016. The manufacturing and trading division recorded a loss before tax of RM1.46 million as compared to a profit of RM1.97 million in the corresponding year ended 31 December 2016 due to lower gross profit margin as a result of higher production costs. Sales quantities reduced by 13% as a result of a 24% increase in selling prices in response to a 49% increase in raw materials costs. Gross profit margin decreased by 7.97% for the financial period ended 31 December 2017 as compared to the preceding financial year ended 31 December 2016. Lower profit was also recorded by the property division at RM6.15 million as compared to RM9.71 million for the financial year ended 31 December 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 financial year ended 31 December 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. The Group also recorded RM3.1 million in other operating income arising from a write-back of non-payable shareholder's loan and a foreign exchange gain on deregistration of a foreign subsidiary, Jenor International Limited and RM0.4 million fair value adjustment of other receivables and a RM0.2 million reversal of impairment of an unquoted investment.

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 2017 vs Third Quarter 2017

	Current	Immediate	Changes	
	Quarter	Preceding		
	31.12.2017	30.9.2017	RM'000	%
	RM'000	RM'000		
Revenue				
Property Development	5,178	3,424	1,754	51%
Property & Investment Holding	1,679	1,711	(32)	-2%
Manufacturing & Trading	12,410	12,685	(275)	-2%
	<u>19,267</u>	<u>17,820</u>	<u>1,447</u>	<u>8%</u>
Profit Before Tax				
Property Development	1,352	445	907	204%
Property & Investment Holding and Others	797	(1,351)	2,148	159%
Manufacturing & Trading	(566)	(401)	(165)	-41%
	<u>1,583</u>	<u>(1,307)</u>	<u>2,890</u>	<u>221%</u>

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**Fourth Quarter 2017 vs Third Quarter 2017 (cont'd)

During the 3 months ended 31 December 2017, the Group's revenue of RM19.27 million represents an increase of RM1.45 million or 8% from the RM17.82 million revenue recorded in the preceding 3 months ended 31 September 2017. The increase in revenue was mainly due to higher contribution from the Pinnacle Kelana Jaya upon project completion in November 2017 offset by lower contribution from the on-going Ipoh projects. The manufacturing and trading division recorded slightly lower revenue of RM12.41 million in the fourth quarter 2017 as compared with RM12.68 million in the third quarter 2017 as a result of a 11% decreased in sales quantities offset by a 10% increase in selling prices.

The Group recorded a profit before tax of RM1.58 million in the fourth quarter 2017 as compared to a loss of RM1.31 million in the third quarter 2017 mainly due to a RM2.5 million write-back of non-payable shareholders loan and a foreign exchange gain on deregistration of a foreign subsidiary, Jenor International Limited and RM0.4 million fair value adjustment of other receivables.

The property division recorded a profit of RM1.35 million in the fourth quarter 2017 as compared to RM0.45 million in the third quarter 2017 mainly due the higher contribution from Kelana Jaya Pinnacle project offset by lower contribution from on-going Ipoh projects.

The Group's manufacturing and trading division recorded a slightly higher loss of RM0.57 million in the fourth quarter 2017 as compared to RM0.4 million loss in the third quarter 2017 mainly due to lower gross profit margin as a result of a 11% increase in material cost offset by a 10% increase in selling price.

The Group's property and investment holding division has recorded a profit of RM0.8 million in the fourth quarter 2017 as compared to a loss of RM1.35 million in the third quarter 2017 mainly due to RM2.5 million write-back of non-payable shareholders loan and a foreign exchange gain on deregistration of a foreign subsidiary, Jenor International Limited and RM0.4 million fair value adjustment of other receivables offset by higher operating costs in the fourth quarter 2017.

B3 Commentary on Prospects

The property market was soft and prices remained flat with low transaction volumes in the financial year 2017. The situation is expected to be broadly similar in the current financial year 2018. The Group will focus on selling the remaining stocks of the Pinnacle Kelana Jaya project and development of its existing projects in Ipoh, namely Taman Saikat, Bandar Meru Raya and Taman Ipoh Jaya.

Demand for galvanized wires was low in 2017 and is expected to remain subdued in 2018. With the imposition of safeguards duty on wire rods imports coupled with the increase in gas prices and labour costs, the Group's average production cost has increased. In the current financial year, demand is expected to weaken due to resistance to higher selling prices. The manufacturing division will strive to minimise losses in 2018.

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

Not applicable.

B5 Taxation

	3 months Ended 31.12.2017 RM'000	12 months Ended 31.12.2017 RM'000
Taxation based on the results for the period:		
Malaysian taxation	54	1,337
Overseas taxation	15	52
Transfer to/(from) deferred taxation	(63)	(74)
	<u>6</u>	<u>1,315</u>
Under/(over) provision of taxation in respect of prior year	-	(93)
	<u>6</u>	<u>1,222</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 31 December 2017.

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	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	209	415
- Bankers' acceptance (floating interest rate)	11,523	7,527
- Term loan (floating interest rate)	990	1,975
	<u>12,722</u>	<u>9,917</u>
Non-current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	382	509
- Term loan (floating interest rate)	13,510	10,522
	<u>13,892</u>	<u>11,031</u>
Borrowings maturity:		
Less than one year	12,722	9,917
Later than one year and not later than two years	1,264	2,316
Later than two years and not later than five years	6,962	8,715
Later than five years	5,666	-
	<u>26,614</u>	<u>20,948</u>
The weighted average effective rates per annum are as follows:		
- Finance lease liabilities	4.42%	4.37%
- Bankers' acceptance	5.98%	5.89%
- Term loan	5.95%	7.10%
The proportion of debts are as follows:		
- Fixed interest rate	2.2%	4.4%
- Floating interest rate	97.8%	95.6%

B8 Realised and Unrealised Losses

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Total accumulated losses of South Malaysia Industries Berhad and its subsidiaries		
- Realised	(194,758)	(152,854)
- Unrealised	33,583	936
	<u>(161,175)</u>	<u>(151,918)</u>
Less: consolidated adjustments	66,455	28,455
Total Group accumulated losses	<u>(94,720)</u>	<u>(123,463)</u>

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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 31 December 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 31 December 2017.

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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
(a) Other income including investment income	(2,790)	(112)	(3,113)	(1,261)
(b) Depreciation and amortisation	510	622	2,085	2,391
(c) Provision for and write-off of receivables	5	6	5	6
(d) Loss/(gain) on disposal of quoted investments	(10)	(5)	(16)	(7)
(e) Foreign exchange loss/(gain)	(10)	22	(9)	(370)
(f) Loss/(gain) on derivatives	-	-	-	177
(g) Inventories write-down	75	62	75	62
(h) Fair value adjustment of receivables	(390)	(468)	(390)	(468)
(i) Fair value adjustment of investment property	74	1,104	(30,041)	2,136
(j) Net (gain)/loss on liquidation of subsidiary	(411)	974	(411)	974
(k) Reversal of impairment of investment	-	-	(200)	-

Other than the above, there were no impairment of assets and exceptional items for the current quarter and financial period ended 31 December 2017.

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NOTES TO THE INTERIM FINANCIAL REPORT

B13 Earnings per Share

	3 Months Ended		12 Months Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
(a) Basic Earnings per Share				
Net Profit/(loss) attributable to shareholders	(354)	(2,080)	28,743	2,973
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	<u>(0.17)</u>	<u>(0.99)</u>	<u>13.69</u>	<u>1.42</u>

(b) Diluted Earnings per Share

There is no dilutive event as at 31 December 2017 and 31 December 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: 27 February 2018