

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

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018****Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	3 Months Ended		3 Months Ended	
	31.3.2018	31.3.2017 (Restated)	31.3.2018	31.3.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Revenue	20,848	11,829	20,848	11,829
Operating Expenses	(18,944)	(14,304)	(18,944)	(14,304)
Other Expenses	(500)	(3,424)	(500)	(3,424)
Interest Income	154	123	154	123
Other Operating Income	159	32,560	159	32,560
Profit/(Loss) from Operations	1,717	26,784	1,717	26,784
Finance costs	(309)	(320)	(309)	(320)
Investing Results	-	-	-	-
Profit/(Loss) before tax	1,408	26,464	1,408	26,464
Tax	(603)	(18)	(603)	(18)
Net profit/(loss) for the period	805	26,446	805	26,446
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange translation difference of foreign operations	8	65	8	65
- Financial assets at fair value through other comprehensive income	(1,257)	1,693	(1,257)	1,693
Other comprehensive income for the period, net of tax	(1,249)	1,758	(1,249)	1,758
Total comprehensive income for the period	(444)	28,204	(444)	28,204
Profit/(Loss) attributable to:				
Owners of the parent	1,105	26,769	1,105	26,769
Non-controlling interests	(300)	(323)	(300)	(323)
	805	26,446	805	26,446
Total comprehensive income attributable to:				
Owners of the parent	(923)	28,303	(923)	28,303
Non-controlling interests	479	(99)	479	(99)
	(444)	28,204	(444)	28,204
<b>Earnings/(loss) per share attributable to Owners of the parent:</b>				
Basic/Diluted (sen)	0.53	12.75	0.53	12.75

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

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

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018

**Condensed Consolidated Statement of Financial Position**

	As at 31.3.2018	As at 31.12.2017 (Restated)	As at 1.1.2017 (Restated)
	RM'000	RM'000	RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15,971	16,443	41,959
Prepaid lease payments	284	327	512
Investment properties	87,844	88,191	34,185
Land held for property development	10,301	10,249	6,230
Financial assets at fair value through other comprehensive income	26,816	28,462	24,160
Trade and other receivables	3,017	3,017	4,525
	<u>144,234</u>	<u>146,690</u>	<u>111,571</u>
<b>Current assets</b>			
Inventories	17,804	19,448	19,651
Trade and other receivables	31,444	27,707	29,386
Financial assets at fair value through profit or loss	793	416	-
Cash and cash equivalents	23,144	26,537	34,687
	<u>73,186</u>	<u>74,107</u>	<u>83,724</u>
<b>TOTAL ASSETS</b>	<b><u>217,420</u></b>	<b><u>220,797</u></b>	<b><u>195,295</u></b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Owners of the parent</b>			
Share capital	244,239	244,239	209,940
Reserves	(68,824)	(67,901)	(59,889)
Shareholders' equity	<u>175,415</u>	<u>176,338</u>	<u>150,051</u>
<b>Non-controlling interests</b>	(8,175)	(8,654)	(11,349)
<b>TOTAL EQUITY</b>	<b><u>167,240</u></b>	<b><u>167,684</u></b>	<b><u>138,702</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	13,582	13,892	11,031
Deferred tax liabilities	593	627	559
	<u>14,175</u>	<u>14,519</u>	<u>11,590</u>
<b>Current liabilities</b>			
Trade and other payables	24,231	25,659	34,979
Borrowings	11,715	12,722	9,917
Taxation	58	213	108
	<u>36,004</u>	<u>38,594</u>	<u>45,003</u>
<b>TOTAL LIABILITIES</b>	<b><u>50,179</u></b>	<b><u>53,113</u></b>	<b><u>56,593</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>217,420</u></b>	<b><u>220,797</u></b>	<b><u>195,295</u></b>
Net assets per share (RM) attributable to Owners of the Parent	0.84	0.84	0.71

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

**SOUTH MALAYSIA INDUSTRIES BERHAD** (8482 - D)  
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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018**

**Condensed Consolidated Statement of Changes in Equity**

	Attributable to Owners of the Parent						Non-Controlling Interests	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	
<b>3 months ended 31.3.2018</b>									
At 31.12.2017	244,239	-	18,346	1,168	3,626	(95,062)	172,317	(8,654)	163,663
Effect of MFRS 1 adoption	-	-	-	-	-	4,021	4,021	-	4,021
At 1.1.2018	244,239	-	18,346	1,168	3,626	(91,041)	176,338	(8,654)	167,684
Profit/(Loss) for the period	-	-	-	-	-	1,105	1,105	(300)	805
Other comprehensive income	-	-	(771)	-	(1,257)	-	(2,028)	779	(1,249)
Total comprehensive income for the period	-	-	(771)	-	(1,257)	1,105	(923)	479	(444)
At 31.3.2018	244,239	-	17,575	1,168	2,369	(89,936)	175,415	(8,175)	167,240
<b>3 months ended 31.3.2017</b>									
At 31.12.2016	209,940	34,299	20,908	1,168	2,901	(123,463)	145,753	(11,349)	134,404
Effect of MFRS 1 adoption	-	-	-	-	-	4,298	4,298	-	4,298
At 1.1.2017 (restated)	209,940	34,299	20,908	1,168	2,901	(119,165)	150,051	(11,349)	138,702
Transition to no par value regime on 31 January 2017	34,299	(34,299)	-	-	-	-	-	-	-
Profit/(Loss) for the period	-	-	-	-	-	26,769	26,769	(323)	26,446
Other comprehensive income	-	-	(158)	-	1,692	-	1,534	224	1,758
Total comprehensive income for the period	-	-	(158)	-	1,692	26,769	28,303	(99)	28,204
At 31.3.2017 (restated)	244,239	-	20,750	1,168	4,593	(92,396)	178,354	(11,448)	166,906

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018****Consolidated Statement of Cash Flow**

	<b>3 Months Ended 31.3.2018</b>	<b>3 Months Ended 31.3.2017 (Restated)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit/(Loss) before tax</b>	1,408	26,464
Adjustments for:		
Depreciation & amortisation	577	584
Other non-cash items	367	(30,820)
Dividend Income	(2)	(1)
Finance costs	309	320
Finance income	(154)	(123)
<b>Operating profit/(loss) before working capital changes</b>	<u>2,505</u>	<u>(3,576)</u>
Decrease/(increase) in property development cost	1,599	(298)
Decrease/(increase) in inventories	45	184
Decrease/(increase) in trade and other receivables	(4,241)	1,728
Increase/(decrease) in trade and other payables	(1,000)	(1,290)
Cash generated from/(used in) operations	<u>(1,092)</u>	<u>(3,252)</u>
Interest paid	(329)	(309)
Tax paid	(329)	(48)
Net cash from/(used in) operating activities	<u>(1,750)</u>	<u>(3,609)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	187	123
Expenditure on land held for property development	(53)	(269)
Acquisition of land for property development	-	(321)
Proceeds from disposal of financial assets measured at fair value through profit or loss	1,250	-
Purchase of financial assets measured at fair value through profit or loss	(1,622)	-
Purchase of property, plant and equipment	(75)	(348)
Proceeds from disposal of property, plant and equipment	5	-
Net dividend received	2	1
Net cash from/(used in) investing activities	<u>(306)</u>	<u>(814)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans and borrowings, net drawdown/(repayment)	(1,253)	46
Repayments of finance lease liabilities	(65)	(113)
Net cash from/(used in) financing activities	<u>(1,318)</u>	<u>(67)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>	<u>(3,374)</u>	<u>(4,490)</u>
Effects of exchange rate changes on cash and cash equivalents	(19)	(70)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>26,537</u>	<u>34,687</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<u>23,144</u>	<u>30,127</u>

# SOUTH MALAYSIA INDUSTRIES BERHAD ( 8482 - D )

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## INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018

### NOTES TO THE INTERIM FINANCIAL REPORT

#### A1 Accounting Policies

The interim financial report is prepared in accordance with Malaysian 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 2017.

This interim financial report is the Group's first Malaysian Financial Reporting Standards ("MFRS Framework") compliant condensed report and hence MFRS 1 : First-Time Adoption of MFRS 1 has been applied. The date of transition to the MFRS Framework is 1 January 2017. At the date of transition, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The impact of the transition from Financial Reporting Standards ("FRS") to MFRS is described below:

#### Property, plant and equipment - Deemed cost exemption

The Group elected to apply the optional exemption to measure certain property, plant and equipment at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

The aggregate fair value of these property, plant and equipment at 1 January 2017 was determined to be RM41,958,724 as compared to the then carrying amount of RM37,625,606 under FRSs.

<b>Consolidated Statement of Financial Position</b>	As previously reported under FRSs RM'000	Effect of transition to MFRS RM'000	Restated under MFRSs RM'000
<u>At 1 January 2017</u>			
Retained earnings	(123,463)	4,298	(119,165)
Property, plant & equipment	37,626	4,333	41,959
Deferred tax liabilities	524	35	559
<u>At 31 March 2017</u>			
Retained earnings	(96,625)	4,229	(92,396)
Property, plant & equipment	13,424	4,264	17,688
Deferred tax liabilities	523	35	558
<b>Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flow</b>			
<u>At 31 March 2017</u>			
Depreciation of property, plant & equipment	515	69	584

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2018 under the MFRS Framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2017 except for the adoption of the following MFRSs, amendments to MFRSs and IC Interpretation which are effective for the financial period beginning on or after 1 January 2018:

Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i>
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRSs 2014 - 2016 Cycle	

## NOTES TO THE INTERIM FINANCIAL REPORT

The adoption of the above MFRSs, Amendments and IC Interpretation did not result in any significant changes in the accounting policies and presentations of the financial statement of the Group other than as set out below:

(i) MFRS 9 Financial Instruments

The Group adopted MFRS 9 Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale. The Group has elected to classify the equity investments as FVOCI and present subsequent changes of the fair value to other comprehensive income.

On 1 January 2018, other investments were classified as financial assets at FVOCI under the requirement of paragraph 7.2.15 of MFRS 9 *Financial Instruments*. Prior to 1 January 2018, other investments were classified as Available-For-Sale financial assets under the requirements of FRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured on either 12 month ECL or Lifetime ECLs.

As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

The adoption of MFRS 9 does not have a material effect on the financial statements of the Group.

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces MFRS 118 Revenue, MFRS 111 Construction Contracts and related IC Interpretations. The Standard deal with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The adoption of MFRS 9 does not have a material effect on the financial statements of the Group.

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## INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018

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### NOTES TO THE INTERIM FINANCIAL REPORT

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

		<u>Effective for financial periods beginning on or after</u>
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 Jan 2019
MFRS 16	Leases	1 Jan 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 Jan 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 Jan 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 Jan 2019
	Payment Transactions	
Annual Improvements to MFRSs 2015 - 2017 Cycle		1 Jan 2019
Amendments to References to the Conceptual Framework in MFRS Standards		1 Jan 2020
MFRS 17	Insurance Contracts	1 Jan 2021
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.

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## **INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018**

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### **NOTES TO THE INTERIM FINANCIAL REPORT**

#### **A2 Auditors Report of the Previous Audited Financial Statements**

The auditors report of the previous audited financial statements was not qualified.

#### **A3 Seasonality or Cyclicity of Interim Operations**

The Group's operations were not significantly affected by any seasonal or cyclical factors.

#### **A4 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.

#### **A5 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.

#### **A6 Debt and Equity Securities**

There were no issuance of debt and equity securities, share buy back, share cancellation, share held as treasury and resale of treasury share during the financial period ended 31 March 2018.

#### **A7 Dividends Paid**

No dividend has been paid during the financial period ended 31 March 2018.

#### **A8 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.



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## INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018

### NOTES TO THE INTERIM FINANCIAL REPORT

3 months ended 31.3.2018	Property	Property & Investment	Manufacturing	Others	Elimination	Total
	Development	Holding	& Trading			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>						
External revenue	8,104	1,691	11,053	-	-	20,848
Intersegment revenue	-	391	-	-	(391)	-
	8,104	2,081	11,053	-	(391)	20,848
<b>Segment Results</b>						
Profit/(Loss) from operations	3,706	(1,224)	(342)	(0)	-	2,141
Interest Income	139	15	0	0	-	154
Finance costs	(3)	(175)	(131)	-	-	(309)
Depreciation & amortisation	(59)	(93)	(425)	(0)	-	(577)
Profit/(Loss) before tax	3,783	(1,477)	(898)	(0)	-	1,408
Taxation	(538)	(68)	3	-	-	(603)
Profit/(Loss) from ordinary activities after tax	3,245	(1,545)	(895)	(0)	-	805
Non-controlling interests	-	300	-	-	-	300
Net profit/(loss) attributable to owners of the parent	3,245	(1,245)	(895)	(0)	-	1,105
<b>Assets and Liabilities</b>						
Segment assets	54,018	121,862	40,616	924	-	217,420
Segment liabilities	13,688	21,965	14,520	6	-	50,179
<b>3 months ended 31.3.2017 (Restated)</b>						
<b>Segment Revenue</b>						
External revenue	318	1,684	9,827	-	-	11,829
Intersegment revenue	-	316	-	-	(316)	-
	318	2,000	9,827	-	(316)	11,829
<b>Segment Results</b>						
Profit/(Loss) from operations	(3,310)	29,926	629	-	-	27,245
Interest Income	94	27	2	-	-	123
Finance costs	(3)	(216)	(101)	-	-	(320)
Depreciation & amortisation	(60)	(105)	(419)	-	-	(584)
Profit/(Loss) before tax	(3,279)	29,632	111	-	-	26,464
Taxation	(10)	(11)	3	-	-	(18)
Profit/(Loss) from ordinary activities after tax	(3,289)	29,621	114	-	-	26,446
Non-controlling interests	-	323	-	-	-	323
Net profit/(loss) attributable to owners of the parent	(3,289)	29,944	114	-	-	26,769
<b>Assets and Liabilities</b>						
Segment assets	51,699	128,620	40,847	761	-	221,927
Segment liabilities	17,026	26,205	11,783	6	-	55,020

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## **INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018**

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### **NOTES TO THE INTERIM FINANCIAL REPORT**

#### **A10 Valuation of Property, Plant & Equipment**

The valuation of property, plant and equipment have been brought forward, without amendments from the previous audited financial statements other than as stated in Note A1.

#### **A11 Material Events Subsequent to the End of the Interim Period**

There were no material events subsequent to the current financial period ended 31 March 2018 up to the date of this report.

#### **A12 Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current financial period ended 31 March 2018.

#### **A13 Changes in Contingent Liabilities and Contingent Assets**

There were no changes in contingent liabilities and contingent assets since 31 December 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:

	3 months ended 31.3.2018 RM'000
Rental income received / receivable from related parties	192
Advisory fee paid to a related party	<u>130</u>

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## INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### 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

	31.3.2018	31.3.2017 (Restated)	Changes	
	RM'000	RM'000	RM'000	%
<b>3 Months Ended</b>				
<b><u>Revenue</u></b>				
Property Development	8,104	317	7,788	2460%
Property & Investment Holding	1,691	1,685	7	0%
Manufacturing & Trading	11,053	9,827	1,226	12%
	<u>20,848</u>	<u>11,829</u>	<u>9,019</u>	<u>76%</u>
<b><u>Profit Before Tax</u></b>				
Property Development	3,783	(1,672)	5,455	326%
Property & Investment Holding and Others	(1,477)	28,025	(29,502)	-105%
Manufacturing & Trading	(898)	111	(1,009)	-908%
	<u>1,408</u>	<u>26,464</u>	<u>(25,056)</u>	<u>-95%</u>

The Group registered a revenue of RM20.85 million and a profit before tax of RM1.41 million in the first quarter ended 31 March 2018 as compared to a revenue of RM11.83 million and a profit before tax of RM26.46 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a higher revenue of RM11.05 million in the first quarter ended 31 March 2018 as compared to RM9.83 million in the first quarter 2017 mainly due to increase in selling prices for all types of wires in 2018.

The property development division recorded a revenue of RM8.1 million in the first quarter 2018, an increase of RM7.79 million as a result of higher contribution from the Pinnacle Kelana Jaya project from sale of stock units and a higher contribution from the Ipoh projects.

The Group's recorded a lower profit in the period under review mainly due to lower profit margin of manufacturing division and the absence of a net fair value gain of RM29.6 million of investment property offset by higher profit of the property development division.

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## INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018

### 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

##### First Quarter 2018 vs Fourth Quarter 2017

	Current Quarter 31.3.2018	Immediate Preceding Quarter 31.12.2017 (Restated)	Changes	
	RM'000	RM'000	RM'000	%
<b><u>Revenue</u></b>				
Property Development	8,104	5,178	2,926	57%
Property & Investment Holding	1,691	1,679	12	1%
Manufacturing & Trading	11,053	12,410	(1,357)	-11%
	<u>20,848</u>	<u>19,267</u>	<u>1,581</u>	<u>8%</u>
<b><u>Profit Before Tax</u></b>				
Property Development	3,783	1,352	2,433	180%
Property & Investment Holding and Others	(1,477)	597	(2,074)	347%
Manufacturing & Trading	(898)	(635)	(263)	-41%
	<u>1,408</u>	<u>1,313</u>	<u>94</u>	<u>-7%</u>

During the 3 months ended 31 March 2018, the Group's revenue of RM20.85 million represents an increase of RM1.58 million or 8% from the RM19.27 million revenue recorded in the preceding 3 months ended 31 December 2017. The increase in revenue was mainly due to higher contribution from the Pinnacle Kelana Jaya offset by lower contribution from the on-going Ipoh projects. The manufacturing and trading division recorded a lower revenue of RM11.05 million in the first quarter 2018 as compared with RM12.41 million in the fourth quarter 2017 as a result of a 12% decrease in sales quantities offset by a 2% increase in selling prices.

The Group recorded a profit before tax of RM1.41 million in the first quarter 2018 as compared to RM1.31 million in the fourth quarter 2017 mainly due to higher contribution from property division offset by lower losses of the property and investment holding and manufacturing and trading divisions.

The property division recorded a profit of RM3.78 million in the first quarter 2018 as compared to RM1.35 million in the fourth quarter 2017 mainly due the higher contribution from Kelana Jaya Pinnacle project from sale of stock units of RM2.7 million.

The Group's manufacturing and trading division recorded a higher loss of RM0.9 million in the first quarter 2018 as compared to RM0.64 million loss in the fourth quarter 2017 mainly due to lower gross profit margin as a result of a 6% increase in raw material cost offset by a 2% increase in selling price.

The Group's property and investment holding division has recorded a loss of RM1.48 million in the first quarter 2018 as compared to a profit of RM0.6 million in the fourth quarter 2017 mainly due to the absence of 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 lower operating costs in the first quarter 2018.

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

(Incorporated in Malaysia)

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## **INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018**

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### **NOTES TO THE INTERIM FINANCIAL REPORT**

#### **B3 Commentary on Prospects**

The property market was soft and prices remained flat with low transaction volumes in the first quarter of 2018. The situation is expected to remain unchanged in the remaining quarters of 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.

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 higher selling prices. The manufacturing division will strive to minimise losses in 2018.

Overall, the Group's results is expected to be less favourable in the current financial year.

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

Not applicable.

#### **B5 Taxation**

**3 months  
Ended  
31.3.2018  
RM'000**

Taxation based on the results for the period:

Malaysian taxation	631
Overseas taxation	13
Transfer to/(from) deferred taxation	(34)
	<u>610</u>
Under/(Over) provision of taxation in respect of prior year	(7)
	<u>603</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 March 2018.

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

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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018****NOTES TO THE INTERIM FINANCIAL REPORT****B7 Group Borrowings**

	<b>As at 31.3.2018 RM'000</b>	<b>As at 31.3.2017 RM'000</b>
<b>Current</b>		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	185	361
- Bankers' acceptance (floating interest rate)	10,450	8,057
- Term loan (floating interest rate)	1,080	2,010
	<u>11,715</u>	<u>10,428</u>
<b>Non-current</b>		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	342	450
- Term loan (floating interest rate)	13,240	10,003
	<u>13,582</u>	<u>10,453</u>
<b>Borrowings maturity:</b>		
Less than one year	11,715	10,428
Later than one year and not later than two years	1,478	2,332
Later than two years and not later than five years	7,011	8,121
Later than five years	5,093	-
	<u>25,297</u>	<u>20,881</u>
 The weighted average effective rates per annum are as follows:		
- Finance lease liabilities	4.39%	4.30%
- Bankers' acceptance	6.09%	5.98%
- Term loan	6.20%	7.10%
 The proportion of debts are as follows:		
- Fixed interest rate	2.1%	3.9%
- Floating interest rate	97.9%	96.1%

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

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## **INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018**

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### **NOTES TO THE INTERIM FINANCIAL REPORT**

#### **B8 Derivative Financial Instruments**

There were no derivative financial instruments as at financial period ended 31 March 2018.

#### **B9 Material Litigation**

As at the date of this report, there is no pending material litigation for the Group.

#### **B10 Dividends**

The Directors do not recommend any payment of dividend for the financial period ended 31 March 2018.

#### **B11 Profit/(Loss) From Operations**

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

	<b>3 Months Ended</b>	
	<b>31.3.2018</b>	<b>31.3.2017</b>
		<b>(Restated)</b>
	<b>RM'000</b>	<b>RM'000</b>
(a) Other income including investment income	(152)	(55)
(b) Depreciation and amortisation	577	584
(c) Provision for and write-off of receivables	7	-
(d) Loss/(Gain) on disposal of quoted investments	(2)	-
(e) Foreign exchange loss/(gain)	20	(14)
(f) Fair value adjustment of investment properties	342	(30,822)

Other than the above, there were no impairment of assets, loss/(gain) on derivatives, write-off of inventories, and exceptional items for the current quarter and financial period ended 31 March 2018.

# SOUTH MALAYSIA INDUSTRIES BERHAD ( 8482 - D )

(Incorporated in Malaysia)

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## INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2018

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### B12 Earnings per Share

	3 Months Ended	
	31.3.2018	31.3.2017 (Restated)
	RM'000	RM'000
<b>(a) Basic Earnings per Share</b>		
Net profit/(loss) attributable to owners of the parent	1,105	26,769
Weighted average number of shares in issue ('000)	209,940	209,940
Basic earnings/(loss) per share (sen)	0.53	12.75

#### **(b) Diluted Earnings per Share**

There is no dilutive event as at 31 March 2018 and 31 March 2017. Therefore, the diluted EPS is the same as the basic EPS.

By Order of the Board

Tan Siew Chin  
Company Secretary  
Kuala Lumpur  
Date: 23 May 2018