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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	3 Months Ended		6 Months Ended	
	30.6.2018	30.6.2017 (Restated)	30.6.2018	30.6.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Revenue	14,195	15,163	35,043	26,992
Operating Expenses	(17,568)	(10,657)	(36,512)	(24,960)
Other Expenses	(463)	(468)	(963)	(3,892)
Interest Income	277	134	430	257
Other Operating Income	1,104	356	1,263	32,916
Profit/(Loss) from Operations	(2,456)	4,528	(738)	31,313
Finance costs	(383)	(365)	(692)	(685)
Investing Results	-	-	-	-
Profit/(Loss) before tax	(2,839)	4,164	(1,430)	30,628
Tax	178	(897)	(426)	(915)
Net profit/(loss) for the period	(2,661)	3,267	(1,856)	29,713
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange translation difference of foreign operations	(724)	512	(716)	577
- Financial assets at fair value through other comprehensive income	97	(1,040)	(1,160)	653
Other comprehensive income for the period, net of tax	(627)	(529)	(1,876)	1,230
Total comprehensive income for the period	(3,288)	2,738	(3,732)	30,943
Profit/(Loss) attributable to:				
Owners of the parent	(2,364)	3,536	(1,259)	30,305
Non-controlling interests	(297)	(269)	(597)	(592)
	(2,661)	3,267	(1,856)	29,713
Total comprehensive income atrributable to:				
Owners of the parent	(2,188)	2,473	(3,111)	30,778
Non-controlling interests	(1,100)	264	(621)	165
	(3,288)	2,738	(3,732)	30,943
Earnings/(loss) per share attributable to Owners of the parent:				
Basic/Diluted (sen)	(1.13)	1.68	(0.60)	14.44

(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 SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2018

Condensed Consolidated Statement of Financial Position

	As at 30.6.2018	As at 31.12.2017 (Restated)	As at 1.1.2017 (Restated)
ASSETS	**RM'000**	**RM'000**	**RM'000**
Non-current assets			
Property, plant and equipment	15,398	16,443	41,959
Prepaid lease payments	242	327	512
Investment properties	88,404	88,191	34,185
Land held for property development	10,435	10,249	6,230
Financial assets at fair value through other comprehensive income	26,564	28,462	24,160
Trade and other receivables	3,017	3,017	4,525
	144,060	146,690	111,571
Current assets			
Inventories	17,084	19,448	19,651
Trade and other receivables	29,278	27,707	29,386
Financial assets at fair value through profit or loss	-	416	-
Cash and cash equivalents	23,122	26,537	34,687
	69,484	74,107	83,724
TOTAL ASSETS	**213,544**	**220,797**	**195,295**
EQUITY			
Capital and reserves attributable to the Owners of the parent			
Share capital	244,239	244,239	209,940
Reserves	(71,012)	(67,901)	(59,889)
Shareholders' equity	173,227	176,338	150,051
Non-controlling interests	(9,275)	(8,654)	(11,349)
TOTAL EQUITY	163,952	167,684	138,702
LIABILITIES			
Non-current liabilities			
Borrowings	13,211	13,892	11,031
Deferred tax liabilities	664	627	559
	13,875	14,519	11,590
Current liabilities			
Trade and other payables	24,133	25,659	34,979
Borrowings	11,551	12,722	9,917
Taxation	33	213	108
	35,717	38,594	45,003
TOTAL LIABILITIES	49,592	53,113	56,593
TOTAL EQUITY AND LIABILITIES	**213,544**	**220,797**	**195,295**
Net assets per share (RM) attributable to Owners of the Parent	0.83	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)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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	Total		
6 months	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ended 30.6.2018									
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	-	-	-	-	-	(1,259)	(1,259)	(597)	(1,856)
Other comprehensive income	-	-	(692)	-	(1,160)	-	(1,852)	(24)	(1,876)
Total comprehensive income for the period	-	-	(692)	-	(1,160)	(1,259)	(3,111)	(621)	(3,732)
At 30.6.2018	244,239	-	17,654	1,168	2,466	(92,300)	173,227	(9,275)	163,952
6 months									
ended 30.6.2017									
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	-	-	-	-	-	30,305	30,305	(592)	29,713
Other comprehensive income	-	-	(180)	-	653	-	473	757	1,230
Total comprehensive income for the period	-	-	(180)	-	653	30,305	30,778	165	30,943
At 30.6.2017 (restated)	244,239	-	20,728	1,168	3,554	(88,861)	180,828	(11,184)	169,644

(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)

Consolidated Statement of Cash Flow

	6 Months Ended 30.6.2018	6 Months Ended 30.6.2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES	**RM'000**	**RM'000**
Profit/(Loss) before tax	(1,430)	30,627
Adjustments for:		
Depreciation & amortisation	1,155	1,183
Other non-cash items	(235)	(30,685)
Dividend Income	(2)	(1)
Finance costs	692	685
Finance income	(430)	(257)
Operating profit/(loss) before working capital changes	(250)	1,552
Decrease/(increase) in property development cost	1,262	515
Decrease/(increase) in inventories	1,101	1,481
Decrease/(increase) in trade and other receivables	(1,706)	1,442
Increase/(decrease) in trade and other payables	(1,430)	(1,464)
Cash generated from/(used in) operations	(1,023)	3,526
Interest paid	(712)	(669)
Tax paid	(494)	(255)
Net cash from/(used in) operating activities	(2,229)	2,602
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	482	258
Expenditure on land held for property development	(186)	(278)
Proceeds from disposal of financial assets measured at fair value through profit or loss	2,430	323
Purchase of financial assets measured at fair value through profit or loss	(2,007)	(5,156)
Purchase of property, plant and equipment	(120)	(451)
Proceeds from disposal of property, plant and equipment	87	-
Net dividend received	2	1
Net cash from/(used in) investing activities	688	(5,303)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings, net drawdown/(repayment)	(1,665)	60
Repayments of finance lease liabilities	(187)	(230)
Net cash from/(used in) financing activities	(1,852)	(170)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	(3,393)	(2,871)
Effects of exchange rate changes on cash and cash equivalents	(22)	(221)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	26,537	34,687
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	23,122	31,595

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 conjuction 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.

Consolidated Statement of Financial Position	As previously reported under FRSs RM'000	Effect of transition to MFRS RM'000	Restated under MFRSs RM'000
At 1 January 2017			
Retained earnings	(123,463)	4,298	(119,165)
Property, plant & equipment	37,626	4,333	41,959
Deferred tax liabilities	524	35	559
At 30 June 2017			
Retained earnings	(93,020)	4,159	(88,861)
Property, plant & equipment	13,116	4,194	17,310
Deferred tax liabilities	515	35	550
Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flow			
At 30 June 2017			
Depreciation of property, plant & equipment	1,045	139	1,184

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 *Financial Instruments* with MFRS 4 *Insurance Contracts*
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.

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:

		Effective for financial periods beginning on or after
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 Payment Transactions	1 Jan 2019
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.

A2 Auditors Report of the Previous Audited Financial Statements

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

A3 Seasonality or Cyclicality 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 30 June 2018.

NOTES TO THE INTERIM FINANCIAL REPORT

A7 Dividends Paid

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

6 months ended 30.6.2018	**Property Development RM'000**	**Property & Investment Holding RM'000**	**Manufacturing & Trading RM'000**	**Others RM'000**	**Elimination RM'000**	**Total RM'000**
Segment Revenue						
External revenue	9,342	3,388	22,313	-	-	35,043
Intersegment revenue	-	780	-	-	(780)	-
	9,342	4,168	22,313	-	(780)	35,043
Segment Results						
Profit/(Loss) from operations	3,467	(2,428)	(1,051)	(1)	-	(13)
Interest Income	267	162	1	-	-	430
Finance costs	(4)	(351)	(337)	-	-	(692)
Depreciation & amortisation	(115)	(193)	(847)	-	-	(1,155)
Profit/(Loss) before tax	3,615	(2,810)	(2,234)	(1)	-	(1,430)
Taxation	(272)	(161)	7	-	-	(426)
Profit/(Loss) from ordinary activities after tax	3,343	(2,971)	(2,227)	(1)	-	(1,856)
Non-controlling interests	-	597	-	-	-	597
Net profit/(loss) attributable to owners of the parent	3,343	(2,374)	(2,227)	(1)	-	(1,259)
Assets and Liabilities						
Segment assets	48,793	126,633	37,194	924	-	213,544
Segment liabilities	13,478	23,595	12,515	4	-	49,592

NOTES TO THE INTERIM FINANCIAL REPORT

6 months ended 30.6.2017 (Restated)	Property Development RM'000	Property & Investment Holding RM'000	Manufacturing & Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment Revenue						
External revenue	3,857	3,376	19,759	-	-	26,992
Intersegment revenue	-	31,606	-	-	(31,606)	-
	3,857	34,982	19,759	-	(31,606)	26,992
Segment Results						
Profit/(Loss) from operations	4,300	27,473	467	(1)	-	32,239
Interest Income	191	60	6			257
Finance costs	(7)	(426)	(252)	-	-	(685)
Depreciation & amortisation	(126)	(210)	(847)	-	-	(1,183)
Profit/(Loss) before tax	4,358	26,897	(626)	(1)	-	30,628
Taxation	(900)	(22)	7	-	-	(915)
Profit/(Loss) from ordinary activities after tax	3,458	26,875	(619)	(1)	-	29,713
Non-controlling interests	-	592	-	-	-	592
Net profit/(loss) attributable to owners of the parent	3,458	27,467	(619)	(1)	-	30,305
Assets and Liabilities						
Segment assets	50,420	134,540	38,918	812	-	224,690
Segment liabilities	17,436	26,988	10,618	4	-	55,046

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 30 June 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 30 June 2018.

A13 Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities and contingent assets since 31 March 2018.

A14 Outstanding Commitments

There were no outstanding commitments for the financial period under review.

NOTES TO THE INTERIM FINANCIAL REPORT

A15 Related Party Transactions

The following related party transactions were carried out in the ordinary course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties:

	6 months ended 30.6.2018 RM'000
Rental income received / receivable from related parties	382
Advisory fee paid to a related party	260

ADDITIONAL INFORMATION REQUIRED PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review of Performance of the Company and its Principal Subsidiaries

For the Quarter

	30.6.2018	30.6.2017 (Restated)	Changes	
3 Months Ended	RM'000	RM'000	RM'000	%
Revenue				
Property Development	1,238	3,540	(2,302)	-65%
Property & Investment Holding	1,697	1,691	6	0%
Manufacturing & Trading	11,260	9,932	1,328	13%
	14,195	15,163	(968)	-6%
Profit Before Tax				
Property Development	(168)	6,029	(6,197)	-103%
Property & Investment Holding and Others	(1,334)	(1,129)	(205)	-18%
Manufacturing & Trading	(1,336)	(736)	(600)	-82%
	(2,838)	4,164	(7,002)	-168%

The Group registered a revenue of RM14.20 million and a loss before tax of RM2.84 million in the second quarter ended 30 June 2018 as compared to a revenue of RM15.16 million and a profit before tax of RM4.16 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a higher revenue of RM11.26 million in the second quarter ended 30 June 2018 as compared to RM9.93 million in the second quarter 2017 mainly due to increase in selling prices for all types of wires in 2018.

The property development division recorded a revenue of RM1.24 million in the second quarter 2018, a decrease of RM2.3 million as a result of lower contribution from the Pinnacle Kelana Jaya project in respect of the sale of stock units and also lower contribution from the Group's projects in Ipoh.

The Group's recorded a loss in the period under review mainly due to lower profit margin of the manufacturing division, lower profit of the property development division and the absence of a property development expenditure written-back of a completed project of RM5.3 million in the second quarter 2017.

NOTES TO THE INTERIM FINANCIAL REPORT

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

For the Six Months Period

	30.6.2018	30.6.2017 (Restated)	Changes	
6 Months Ended	RM'000	RM'000	RM'000	%
Revenue				
Property Development	9,342	3,857	5,485	142%
Property & Investment Holding and Others	3,388	3,376	12	0%
Manufacturing & Trading	22,313	19,759	2,554	13%
	35,043	26,992	8,051	30%
Profit Before Tax				
Property Development	3,615	4,356	(741)	-17%
Property & Investment Holding and Others	(2,811)	26,896	(29,707)	-110%
Manufacturing & Trading	(2,234)	(626)	(1,608)	-257%
	(1,430)	30,626	(32,056)	-105%

The Group's revenue of RM35.04 million for the financial period ended 30 June 2018 represents a 30% or RM8.05 million increase from RM26.99 million in the corresponding period ended 30 June 2017. The property division recorded an increase of RM5.49 million due to higher contribution from the Pinnacle Kelana Jaya project. The manufacturing and trading division recorded an increase in revenue of 13% or RM2.55 million as compared to the corresponding period ended 30 June 2017 mainly due to increase in selling prices.

Gross profit margin of the Group decreased from 36.9% in the financial period ended 30 June 2017 to 19.8% in the financial period ended 30 June 2018 mainly due to lower contribution from the projects in Ipoh, lower margin of the manufacturing and trading division and the absence of write-back of property development expenditure of a completed project.

The Group recorded loss before tax of RM1.43 million for the financial period ended 30 June 2018 as compared to a profit of RM30.63 million in the corresponding period ended 30 June 2017. The manufacturing and trading division recorded a higher loss before tax of RM2.23 million as compared to RM0.63 million in the corresponding period ended 30 June 2017 due to lower gross profit margin as a result of higher production costs. Selling prices increased by 15% in response to a 29% increase in raw materials costs. Gross profit margin decreased by 6.6% for the financial period ended 30 June 2018 as compared to the preceeding financial period ended 30 June 2017. Lower profit was also recorded by the property division at RM3.62 million as compared to RM4.36 million for the financial period ended 30 June 2017. This was mainly due to lower contribution from the Group's projects in Ipoh and the absence of a write back of property development expenditure of a completed project.

In the financial period ended 30 June 2017, the Group's property and investment holding division recorded higher profit before tax as a result of 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.

NOTES TO THE INTERIM FINANCIAL REPORT

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

Second Quarter 2018 vs First Quarter 2018

	Current Quarter 30.6.2018	Immediate Preceding Quarter 31.3.2018	Changes	
Revenue	RM'000	RM'000	RM'000	%
Property Development	1,238	8,104	(6,866)	-85%
Property & Investment Holding	1,697	1,691	6	0%
Manufacturing & Trading	11,260	11,053	207	2%
	14,195	20,848	(6,653)	-32%
Profit Before Tax				
Property Development	(168)	3,783	(3,951)	-104%
Property & Investment Holding and Others	(1,334)	(1,477)	143	10%
Manufacturing & Trading	(1,336)	(898)	(438)	-49%
	(2,838)	1,408	(4,246)	302%

During the 3 months ended 30 June 2018, the Group's revenue of RM14.20 million represents a decrease of RM6.65 million or 32% from the RM20.85 million revenue recorded in the preceding 3 months ended 31 March 2018. The decrease in revenue was mainly due to lower contribution from the Pinnacle Kelana Jaya and lower contribution from the on-going Ipoh projects. The manufacturing and trading division recorded a slightly higher revenue of RM11.26 million in the second quarter 2018 as compared with RM11.05 million in the first quarter 2018 as a result of a 3% increase in sales quantities offset by a 1% decrease in selling prices.

The Group recorded a lost before tax of RM2.84 million in the second quarter 2018 as compared to a profit of RM1.41 million in the first quarter 2018 mainly due to lower contribution from property division, higher loss of the manufacturing and trading division offset by lower losses of the property and investment holding division.
and trading divisions.

The property division recorded a loss of RM0.2 million in the second quarter 2018 as compared to a profit of RM3.78 million in the first quarter 2018 mainly due the lower contribution from Kelana Jaya Pinnacle project as a result of lower sale of stock units of RM4.98 million and lower contribution from the on-going projects in Ipoh.

The Group's manufacturing and trading division recorded a higher loss of RM1.34 million in the second quarter 2018 as compared to RM0.9 million loss in the first quarter 2018 mainly due to lower gross profit margin as a result of a 2% increase in raw material cost and lower selling prices.

The Group's property and investment holding division has recorded a loss of RM1.33 million in the second quarter 2018 as compared to RM1.48 million in the first quarter 2018 mainly due to lower operating costs in the second quarter 2018.

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 second 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.

As for the manufacturing division, 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. The manufacturing division will strive to minimise losses in 2018.

Overall, the Group's results are 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 30.6.2018 RM'000	6 months Ended 30.6.2018 RM'000
Taxation based on the results for the period:		
Malaysian taxation	(262)	370
Overseas taxation	14	27
Transfer to/(from) deferred taxation	70	36
	(178)	433
Under/(Over) provision of taxation in respect of prior year	-	(7)
	(178)	426

The disproportionate tax charge in the current period was mainly due to non availability of group relief in respect of losses incurred by the Company and certain subsidiary companies, certain expenses which are not deductible for tax purposes and certain income which are not subject to tax.

B6 Status of Corporate Proposals

No corporate proposal was undertaken by the Group in the financial period ended 30 June 2018.

NOTES TO THE INTERIM FINANCIAL REPORT

B7 Group Borrowings

	As at 30.6.2018 RM'000	As at 30.6.2017 RM'000
Current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	163	301
- Bankers' acceptance (floating interest rate)	10,308	8,558
- Term loan (floating interest rate)	1,080	2,046
	11,551	10,905
Non-current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	241	478
- Term loan (floating interest rate)	12,970	9,480
	13,211	9,958
Borrowings maturity:		
Less than one year	11,551	10,905
Later than one year and not later than two years	1,746	2,370
Later than two years and not later than five years	6,969	7,575
Later than five years	4,496	13
	24,762	20,863
The weighted average effective rates per annum are as follows:		
- Finance lease liabilities	3.90%	4.53%
- Bankers' acceptance	6.12%	5.99%
- Term loan	6.20%	7.10%
The proportion of debts are as follows:		
- Fixed interest rate	1.6%	3.7%
- Floating interest rate	98.4%	96.3%

B8 Derivative Financial Instruments

There were no derivative financial instruments as at financial period ended 30 June 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 30 June 2018.

NOTES TO THE INTERIM FINANCIAL REPORT

B11 Profit/(Loss) From Operations

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

	3 Months Ended		6 Months Ended	
	30.6.2018	30.6.2017 (Restated)	30.6.2018	30.6.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
(a) Other income including investment income	(138)	(139)	(290)	(194)
(b) Depreciation and amortisation	578	599	1,155	1,183
(c) Provision for and write-off of receivables	3	-	9	-
(d) Loss/(Gain) on disposal of quoted investments	(1)	(2)	(4)	(2)
(e) Foreign exchange loss/(gain)	(24)	(7)	(4)	(21)
(f) Fair value adjustment of investment properties	(592)	349	(250)	(30,473)

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 30 June 2018.

B12 Earnings per Share

	3 Months Ended		6 Months Ended	
	30.6.2018	30.6.2017 (Restated)	30.6.2018	30.6.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
(a) Basic Earnings per Share				
Net profit/(loss) attributable to owners of the parent	(2,364)	3,536	(1,259)	30,305
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	(1.13)	1.68	(0.60)	14.44

(b) Diluted Earnings per Share

There is no dilutive event as at 30 June 2018 and 30 June 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: 29 August 2018