

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | 3 Months Ended | | 9 Months Ended | |
|--|----------------|-------------------------|----------------|-------------------------|
| | 30.9.2018 | 30.9.2017 (Restated) | 30.9.2018 | 30.9.2017 (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 17,939 | 17,820 | 52,983 | 44,812 |
| Operating Expenses | (19,037) | (18,697) | (55,548) | (43,657) |
| Other Expenses | (467) | (487) | (1,431) | (4,379) |
| Interest Income | 131 | 168 | 561 | 425 |
| Other Operating Income | 138 | 119 | 1,401 | 33,035 |
| Profit/(Loss) from Operations | (1,296) | (1,077) | (2,034) | 30,236 |
| Finance costs | (364) | (299) | (1,056) | (984) |
| Investing Results | - | - | - | - |
| Profit/(Loss) before tax | (1,660) | (1,376) | (3,090) | 29,252 |
| Tax | (174) | (301) | (599) | (1,216) |
| Net profit/(loss) for the period | (1,834) | (1,677) | (3,689) | 28,036 |
| Other comprehensive income, net of tax | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| - Exchange translation difference of foreign operations | (1,930) | 1,804 | (2,646) | 2,381 |
| - Financial assets at fair value through other comprehensive income | (870) | (504) | (2,030) | 148 |
| Other comprehensive income for the period, net of tax | (2,800) | 1,300 | (4,676) | 2,529 |
| Total comprehensive income for the period | (4,634) | (378) | (8,365) | 30,565 |
| Profit/(Loss) attributable to: | | | | |
| Owners of the parent | (1,546) | (1,415) | (2,804) | 28,890 |
| Non-controlling interests | (288) | (262) | (885) | (854) |
| | (1,834) | (1,677) | (3,689) | 28,036 |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | (3,752) | (2,613) | (6,862) | 28,165 |
| Non-controlling interests | (882) | 2,235 | (1,503) | 2,400 |
| | (4,634) | (378) | (8,365) | 30,565 |
| Earnings/(loss) per share attributable to Owners of the parent: | | | | |
| Basic/Diluted (sen) | (0.74) | (0.67) | (1.34) | 13.76 |

(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 THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

Condensed Consolidated Statement of Financial Position

| | As at 30.9.2018 | As at 31.12.2017 (Restated) | As at 1.1.2017 (Restated) |
|--|--------------------|-----------------------------------|---------------------------------|
| | RM'000 | RM'000 | RM'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14,814 | 16,443 | 41,959 |
| Prepaid lease payments | 198 | 327 | 512 |
| Investment properties | 88,076 | 88,191 | 34,185 |
| Land held for property development | 10,592 | 10,249 | 6,230 |
| Financial assets at fair value through other comprehensive income | 24,040 | 28,462 | 24,160 |
| Trade and other receivables | 3,017 | 3,017 | 4,525 |
| | 140,737 | 146,690 | 111,571 |
| Current assets | | | |
| Inventories | 16,095 | 19,448 | 19,651 |
| Trade and other receivables | 31,211 | 27,707 | 29,386 |
| Financial assets at fair value through profit or loss | 822 | 416 | - |
| Cash and cash equivalents | 20,359 | 26,537 | 34,687 |
| | 68,487 | 74,107 | 83,724 |
| TOTAL ASSETS | 209,224 | 220,797 | 195,295 |
| EQUITY | | | |
| Capital and reserves attributable to the Owners of the parent | | | |
| Share capital | 244,239 | 244,239 | 209,940 |
| Reserves | (74,762) | (67,901) | (59,889) |
| Shareholders' equity | 169,477 | 176,338 | 150,051 |
| Non-controlling interests | (10,158) | (8,654) | (11,349) |
| TOTAL EQUITY | 159,319 | 167,684 | 138,702 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 12,907 | 13,892 | 11,031 |
| Deferred tax liabilities | 755 | 627 | 559 |
| | 13,662 | 14,519 | 11,590 |
| Current liabilities | | | |
| Trade and other payables | 23,087 | 25,659 | 34,979 |
| Borrowings | 13,125 | 12,722 | 9,917 |
| Taxation | 31 | 213 | 108 |
| | 36,243 | 38,594 | 45,003 |
| TOTAL LIABILITIES | 49,905 | 53,113 | 56,593 |
| TOTAL EQUITY AND LIABILITIES | 209,224 | 220,797 | 195,295 |
| Net assets per share (RM) attributable to Owners of the Parent | 0.81 | 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)

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 | |
| 9 months ended 30.9.2018 | | | | | | | | | |
| 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 At 1.1.2018 | - | - | - | - | - | 4,021 | 4,021 | - | 4,021 |
| | 244,239 | - | 18,346 | 1,168 | 3,626 | (91,041) | 176,338 | (8,654) | 167,684 |
| Profit/(Loss) for the period | - | - | - | - | - | (2,804) | (2,804) | (885) | (3,689) |
| Other comprehensive income | - | - | (2,027) | - | (2,030) | - | (4,057) | (619) | (4,676) |
| Total comprehensive income for the period | - | - | (2,027) | - | (2,030) | (2,804) | (6,861) | (1,504) | (8,365) |
| At 30.9.2018 | 244,239 | - | 16,319 | 1,168 | 1,596 | (93,845) | 169,477 | (10,158) | 159,319 |
| | | | | | | | | | (74,762) |
| 9 months ended 30.9.2017 | | | | | | | | | |
| 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 At 1.1.2017 (restated) | - | - | - | - | - | 4,298 | 4,298 | - | 4,298 |
| Transition to no par value regime on 31 January 2017 | 34,299 | (34,299) | - | - | - | - | - | - | - |
| | 209,940 | 34,299 | 20,908 | 1,168 | 2,901 | (119,165) | 150,051 | (11,349) | 138,702 |
| Profit/(Loss) for the period | - | - | - | - | - | 28,890 | 28,890 | (854) | 28,036 |
| Other comprehensive income | - | - | (873) | - | 148 | - | (725) | 3,254 | 2,529 |
| Total comprehensive income for the period | - | - | (873) | - | 148 | 28,890 | 28,165 | 2,400 | 30,565 |
| At 30.9.2017 (restated) | 244,239 | - | 20,035 | 1,168 | 3,049 | (90,275) | 178,216 | (8,949) | 169,267 |
| | | | | | | | | | (66,023) |

(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 THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**Consolidated Statement of Cash Flow**

| | 9 Months Ended 30.9.2018 | 9 Months Ended 30.9.2017 (Restated) |
|---|---|--|
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit/(Loss) before tax | (3,090) | 29,252 |
| Adjustments for: | | |
| Depreciation & amortisation | 1,796 | 1,783 |
| Other non-cash items | 82 | (30,347) |
| Dividend Income | (19) | (20) |
| Finance costs | 1,056 | 984 |
| Finance income | (561) | (425) |
| Operating profit/(loss) before working capital changes | <u>(736)</u> | <u>1,227</u> |
| Decrease/(increase) in property development cost | 1,389 | 503 |
| Decrease/(increase) in inventories | 1,964 | 2,664 |
| Decrease/(increase) in trade and other receivables | (3,588) | (52) |
| Increase/(decrease) in trade and other payables | <u>(2,675)</u> | <u>(1,618)</u> |
| Cash generated from/(used in) operations | (3,646) | 2,724 |
| Interest paid | (1,076) | (946) |
| Tax paid | <u>(625)</u> | <u>(573)</u> |
| Net cash from/(used in) operating activities | <u>(5,347)</u> | <u>1,205</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 612 | 329 |
| Expenditure on land held for property development | (343) | (411) |
| Additions to investment properties | (50) | - |
| Purchase of available-for-sale financial assets | (395) | (5,868) |
| Purchase of property, plant and equipment | (136) | (525) |
| Proceeds from disposal of property, plant and equipment | 87 | - |
| Net dividend received | 19 | 20 |
| Net cash from/(used in) investing activities | <u>(206)</u> | <u>(6,455)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loans and borrowings, net drawdown/(repayment) | (350) | (2,180) |
| Repayments of finance lease liabilities | <u>(232)</u> | <u>(337)</u> |
| Net cash from/(used in) financing activities | <u>(582)</u> | <u>(2,517)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD | (6,135) | (7,767) |
| Effects of exchange rate changes on cash and cash equivalents | (43) | (307) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD | <u>26,537</u> | <u>34,687</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD | <u>20,359</u> | <u>26,613</u> |

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

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

| Consolidated Statement of Financial Position | 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 30 September 2017</u> | | | |
| Retained earnings | (94,366) | 4,090 | (90,276) |
| Property, plant & equipment | 12,698 | 4,125 | 16,823 |
| Deferred tax liabilities | 515 | 35 | 550 |
| | | | |
| Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flow | | | |
| <u>At 30 September 2017</u> | | | |
| Depreciation of property, plant & equipment | 1,575 | 208 | 1,783 |

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 15 does not have a material effect on the financial statements of the Group.

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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.

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 30 September 2018.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**NOTES TO THE INTERIM FINANCIAL REPORT****A7 Dividends Paid**

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

| 9 months ended 30.9.2018 | 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 | 12,765 | 5,140 | 35,078 | - | - | 52,983 |
| Intersegment revenue | - | 1,170 | - | - | (1,170) | - |
| | <u>12,765</u> | <u>6,310</u> | <u>35,078</u> | <u>-</u> | <u>(1,170)</u> | <u>52,983</u> |
| Segment Results | | | | | | |
| Profit/(Loss) from operations | 4,046 | (3,464) | (1,360) | (21) | - | (799) |
| Interest Income | 397 | 163 | 1 | - | - | 561 |
| Finance costs | (5) | (528) | (523) | - | - | (1,056) |
| Depreciation & amortisation | (238) | (289) | (1,269) | - | - | (1,796) |
| Profit/(Loss) before tax | <u>4,200</u> | <u>(4,118)</u> | <u>(3,151)</u> | <u>(21)</u> | <u>-</u> | <u>(3,090)</u> |
| Taxation | (339) | (274) | 14 | - | - | (599) |
| Profit/(Loss) from ordinary activities after tax | <u>3,861</u> | <u>(4,392)</u> | <u>(3,137)</u> | <u>(21)</u> | <u>-</u> | <u>(3,689)</u> |
| Non-controlling interests | - | 885 | - | - | - | 885 |
| Net profit/(loss) attributable to owners of the parent | <u>3,861</u> | <u>(3,507)</u> | <u>(3,137)</u> | <u>(21)</u> | <u>-</u> | <u>(2,804)</u> |
| Assets and Liabilities | | | | | | |
| Segment assets | 46,223 | 123,793 | 38,304 | 904 | - | 209,224 |
| Segment liabilities | <u>12,020</u> | <u>23,319</u> | <u>14,565</u> | <u>1</u> | <u>-</u> | <u>49,905</u> |

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| 9 months ended 30.9.2017 (Restated) | 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 | 7,281 | 5,087 | 32,444 | - | - | 44,812 |
| Intersegment revenue | - | 31,997 | - | - | (31,997) | - |
| | 7,281 | 37,084 | 32,444 | - | (31,997) | 44,812 |
| Segment Results | | | | | | |
| Profit/(Loss) from operations | 4,673 | 26,408 | 515 | (2) | - | 31,594 |
| Interest Income | 331 | 85 | 9 | - | - | 425 |
| Finance costs | (11) | (631) | (342) | - | - | (984) |
| Depreciation & amortisation | (190) | (315) | (1,278) | - | - | (1,783) |
| Profit/(Loss) before tax | 4,803 | 25,547 | (1,096) | (2) | - | 29,252 |
| Taxation | (1,189) | (37) | 10 | - | - | (1,216) |
| Profit/(Loss) from ordinary activities after tax | 3,614 | 25,510 | (1,086) | (2) | - | 28,036 |
| Non-controlling interests | - | 854 | - | - | - | 854 |
| Net profit/(loss) attributable to owners of the parent | 3,614 | 26,364 | (1,086) | (2) | - | 28,890 |
| Assets and Liabilities | | | | | | |
| Segment assets | 50,274 | 130,139 | 38,294 | 925 | - | 219,632 |
| Segment liabilities | 15,194 | 24,308 | 10,863 | 1 | - | 50,366 |

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 September 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 September 2018.

A13 Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities and contingent assets since 30 June 2018.

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NOTES TO THE INTERIM FINANCIAL REPORT

A14 Outstanding Commitments

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

A15 Related Party Transactions

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

| | 9 months ended 30.9.2018 RM'000 |
|--|---------------------------------------|
| Rental income received / receivable from related parties | 574 |
| Advisory fee paid to a related party | <u>390</u> |

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

B1 Review of Performance of the Company and its Principal Subsidiaries

For the Quarter

| | 30.9.2018 | 30.9.2017 (Restated) | Changes | |
|--|----------------|-------------------------|---------|------|
| | RM'000 | RM'000 | RM'000 | % |
| 3 Months Ended | | | | |
| <u>Revenue</u> | | | | |
| Property Development | 3,423 | 3,424 | (1) | 0% |
| Property & Investment Holding | 1,751 | 1,711 | 40 | 2% |
| Manufacturing & Trading | 12,765 | 12,685 | 80 | 1% |
| | <u>17,939</u> | <u>17,820</u> | 119 | 1% |
| <u>Profit Before Tax</u> | | | | |
| Property Development | 585 | 445 | 140 | 31% |
| Property & Investment Holding and Others | (1,328) | (1,351) | 23 | 2% |
| Manufacturing & Trading | (917) | (470) | (447) | -95% |
| | <u>(1,660)</u> | <u>(1,376)</u> | (284) | 21% |

The Group registered a revenue of RM17.94 million and a loss before tax of RM1.66 million in the third quarter ended 30 September 2018 as compared to a revenue of RM17.82 million and a loss before tax of RM1.38 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a higher revenue of RM12.77 million in the third quarter ended 30 September 2018 as compared to RM12.69 million in the third quarter 2017 mainly due to increase in selling prices for all types of wires offset by lower sales quantities in 2018.

The property development division's consistent revenue of RM3.42 million in the third quarter of 2018 and 2017 was mainly contributed by the Group's projects in Ipoh.

The Group recorded a higher loss in the period under review mainly due to lower profit margin of the manufacturing division as a result of higher raw materials costs.

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NOTES TO THE INTERIM FINANCIAL REPORT

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

For the Nine Months Period

| 9 Months Ended | 30.9.2018 | 30.9.2017 (Restated) | Changes | |
|--|----------------|-------------------------|-----------------|--------------|
| | RM'000 | RM'000 | RM'000 | % |
| Revenue | | | | |
| Property Development | 12,765 | 7,281 | 5,484 | 75% |
| Property & Investment Holding and Others | 5,140 | 5,087 | 53 | 1% |
| Manufacturing & Trading | 35,078 | 32,444 | 2,634 | 8% |
| | <u>52,983</u> | <u>44,812</u> | <u>8,171</u> | <u>18%</u> |
| Profit Before Tax | | | | |
| Property Development | 4,200 | 4,802 | (602) | -13% |
| Property & Investment Holding and Others | (4,139) | 25,546 | (29,685) | -116% |
| Manufacturing & Trading | (3,151) | (1,096) | (2,055) | -188% |
| | <u>(3,090)</u> | <u>29,252</u> | <u>(32,342)</u> | <u>-111%</u> |

The Group's revenue of RM52.98 million for the financial period ended 30 September 2018 represents a 18% or RM8.17 million increase from RM44.81 million in the corresponding period ended 30 September 2017. The property division recorded an increase of RM5.48 million due to higher contribution from the Pinnacle Kelana Jaya project. The manufacturing and trading division recorded an increase in revenue of 8% or RM2.63 million as compared to the corresponding period ended 30 September 2017 mainly due to increase in selling prices.

Gross profit margin of the Group decreased from 29.5% in the financial period ended 30 September 2017 to 18.5% in the financial period ended 30 September 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 RM3.09 million for the financial period ended 30 September 2018 as compared to a profit of RM29.25 million in the corresponding period ended 30 September 2017. The manufacturing and trading division recorded a higher loss before tax of RM3.15 million as compared to RM1.10 million in the corresponding period ended 30 September 2017 due to lower gross profit margin as a result of higher production costs. Selling prices increased by 12% in response to a 22% increase in raw materials costs. Gross profit margin decreased by 5.2% for the financial period ended 30 September 2018 as compared to the preceding financial period ended 30 September 2017. Lower profit was also recorded by the property division at RM4.2 million as compared to RM4.8 million for the financial period ended 30 September 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 September 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.

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 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****Third Quarter 2018 vs Second Quarter 2018**

| | Current | Immediate | Changes | |
|--|----------------|----------------|--------------|------------|
| | Quarter | Preceding | | |
| | 30.9.2018 | 30.6.2018 | RM'000 | % |
| Revenue | RM'000 | RM'000 | | |
| Property Development | 3,423 | 1,238 | 2,185 | 177% |
| Property & Investment Holding | 1,751 | 1,697 | 54 | 3% |
| Manufacturing & Trading | 12,765 | 11,260 | 1,505 | 13% |
| | <u>17,939</u> | <u>14,195</u> | <u>3,744</u> | <u>26%</u> |
| Profit Before Tax | | | | |
| Property Development | 585 | (168) | 753 | -448% |
| Property & Investment Holding and Others | (1,328) | (1,334) | 6 | 0% |
| Manufacturing & Trading | (917) | (1,336) | 419 | 31% |
| | <u>(1,660)</u> | <u>(2,838)</u> | <u>1,178</u> | <u>41%</u> |

During the 3 months ended 30 September 2018, the Group's revenue of RM17.94 million represents an increase of RM3.74 million or 26% from the RM14.2 million revenue recorded in the preceding 3 months ended 30 June 2018. The increase in revenue was mainly due to higher contribution from the on-going Ipoh projects. The manufacturing and trading division recorded a higher revenue of RM12.77 million in the third quarter 2018, an increase of 13% or RM1.51 million as compared with RM11.26 million in the second quarter 2018 as a result of a 15% increase in sales quantities offset by a 2% decrease in selling prices.

The Group recorded a loss before tax of RM1.66 million in the third quarter 2018, a lower loss of RM1.18 million as compared to RM2.84 million loss in the second quarter 2018 mainly due to higher contribution from the property division and lower loss of the manufacturing and trading division.

The property division recorded a profit of RM0.59 million in the third quarter 2018 as compared to a loss of RM0.2 million in the second quarter 2018 mainly due the higher contribution from the on-going projects in Ipoh.

The Group's manufacturing and trading division recorded a lower loss of RM0.42 million in the third quarter 2018 as compared to RM1.34 million loss in the second quarter 2018 mainly due to higher gross profit margin as a result of a 15% increase in sales quantities.

The Group's property and investment holding division has recorded a loss of RM1.33 million in both the second quarter 2018 and third quarter 2018 as there were no major changes in rental income and operating costs.

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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 third quarter of 2018. The situation is expected to remain unchanged by the end of financial year 2018. The Group will focus on selling the remaining stocks of the Pinnacle Kelana Jaya project and the continuation of its existing projects in Ipoh.

As for the manufacturing division, demand for galvanized wires was low in the first half of 2018 and is expected to remain subdued up to the end of 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 30.9.2018 RM'000 | 9 months Ended 30.9.2018 RM'000 |
|--|--|--|
| Taxation based on the results for the period: | | |
| Malaysian taxation | 73 | 442 |
| Overseas taxation | 13 | 40 |
| Transfer to/(from) deferred taxation | 91 | 128 |
| | <u>177</u> | <u>610</u> |
| Under/(Over) provision of taxation in respect of prior year | (3) | (11) |
| | <u>174</u> | <u>599</u> |

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

B6 Status of Corporate Proposals

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

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**NOTES TO THE INTERIM FINANCIAL REPORT****B7 Group Borrowings**

| | As at 30.9.2018 RM'000 | As at 30.9.2017 RM'000 |
|--|---------------------------------------|---------------------------------------|
| Current | | |
| Secured (RM denominated):- | | |
| - Finance lease liabilities (fixed interest rate) | 151 | 242 |
| - Bankers' acceptance (floating interest rate) | 11,894 | 6,814 |
| - Term loan (floating interest rate) | 1,080 | 2,071 |
| | <u>13,125</u> | <u>9,127</u> |
| Non-current | | |
| Secured (RM denominated):- | | |
| - Finance lease liabilities (fixed interest rate) | 207 | 430 |
| - Term loan (floating interest rate) | 12,700 | 8,959 |
| | <u>12,907</u> | <u>9,389</u> |
| Borrowings maturity: | | |
| Less than one year | 13,125 | 9,127 |
| Later than one year and not later than two years | 1,923 | 2,388 |
| Later than two years and not later than five years | 6,962 | 6,992 |
| Later than five years | 4,022 | 9 |
| | <u>26,032</u> | <u>18,516</u> |
| The weighted average effective rates per annum are as follows: | | |
| - Finance lease liabilities | 3.88% | 4.46% |
| - Bankers' acceptance | 6.13% | 5.98% |
| - Term loan | 6.20% | 7.10% |
| The proportion of debts are as follows: | | |
| - Fixed interest rate | 1.4% | 3.6% |
| - Floating interest rate | 98.6% | 96.4% |

B8 Derivative Financial Instruments

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

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 | | 9 Months Ended | |
|--|----------------|-------------------------|----------------|-------------------------|
| | 30.9.2018 | 30.9.2017 (Restated) | 30.9.2018 | 30.9.2017 (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (a) Other income including investment income | (134) | (129) | (425) | (323) |
| (b) Depreciation and amortisation | 641 | 599 | 1,796 | 1,783 |
| (c) Provision for and write-off of receivables | (4) | - | 5 | - |
| (d) Loss/(Gain) on disposal of quoted investments | (4) | (4) | (7) | (6) |
| (e) Foreign exchange loss/(gain) | - | 23 | (5) | 1 |
| (f) Fair value adjustment of investment properties | 324 | 357 | 74 | (30,115) |

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 September 2018.

B12 Earnings per Share

| | 3 Months Ended | | 9 Months Ended | |
|--|----------------|-------------------------|----------------|-------------------------|
| | 30.9.2018 | 30.9.2017 (Restated) | 30.9.2018 | 30.9.2017 (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (a) Basic Earnings per Share | | | | |
| Net profit/(loss) attributable to owners of the parent | (1,546) | (1,415) | (2,804) | 28,890 |
| Weighted average number of shares in issue ('000) | 209,940 | 209,940 | 209,940 | 209,940 |
| Basic earnings/(loss) per share (sen) | (0.74) | (0.67) | (1.34) | 13.76 |

(b) Diluted Earnings per Share

There is no dilutive event as at 30 September 2018 and 30 September 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: 30 November 2018