

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	3 Months Ended		6 Months Ended	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Revenue	16,338	14,195	30,315	35,043
Operating Expenses	(17,427)	(17,568)	(34,553)	(36,511)
Other Expenses	(703)	(464)	(1,187)	(963)
Interest Income	273	277	360	430
Other Operating Income	205	1,104	355	1,263
Profit/(Loss) from Operations	(1,314)	(2,456)	(4,710)	(738)
Finance Costs	(347)	(383)	(649)	(692)
Profit/(Loss) before tax	(1,661)	(2,839)	(5,359)	(1,430)
Tax	8	178	(15)	(426)
Net profit/(loss) for the period	(1,653)	(2,661)	(5,374)	(1,856)
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange translation difference of foreign operations	(137)	(724)	27	(716)
- Financial assets at fair value through other comprehensive income	725	97	1,064	(1,160)
Other comprehensive income for the period, net of tax	588	(627)	1,091	(1,876)
Total comprehensive income for the period	(1,065)	(3,288)	(4,283)	(3,732)
Profit/(Loss) attributable to:				
Owners of the parent	(1,410)	(2,364)	(4,865)	(1,259)
Non-controlling interests	(243)	(297)	(509)	(597)
	(1,653)	(2,661)	(5,374)	(1,856)
Total comprehensive income attributable to:				
Owners of the parent	(442)	(2,188)	(3,719)	(3,111)
Non-controlling interests	(623)	(1,100)	(564)	(621)
	(1,065)	(3,288)	(4,283)	(3,732)
Earnings/(Loss) per share attributable to Owners of the parent:				
Basic/Diluted (sen)	(0.67)	(1.13)	(2.32)	(0.60)

(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 2018)

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019**Condensed Consolidated Statement of Financial Position**

	As at 30.6.2019 RM'000	As at 31.12.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	13,950	14,809
Prepaid lease payments	79	159
Investment properties	86,600	86,561
Inventories	7,817	10,060
Other investments	24,906	23,823
Trade and other receivables	1,319	1,319
	<u>134,671</u>	<u>136,731</u>
Current assets		
Inventories	19,372	15,749
Trade and other receivables	32,363	46,424
Other investments	-	-
Cash and cash equivalents	24,327	16,886
	<u>76,062</u>	<u>79,059</u>
TOTAL ASSETS	<u>210,733</u>	<u>215,790</u>
EQUITY		
Capital and reserves attributable to the Owners of the parent		
Share capital	244,239	244,239
Reserves	20,058	18,912
Accumulated losses	(91,849)	(86,984)
Shareholders' equity	<u>172,448</u>	<u>176,167</u>
Non-controlling interests	<u>(10,819)</u>	<u>(10,255)</u>
TOTAL EQUITY	<u>161,629</u>	<u>165,912</u>
LIABILITIES		
Non-current liabilities		
Loans and borrowings	12,373	12,603
Deferred tax liabilities	1,047	1,059
	<u>13,420</u>	<u>13,662</u>
Current liabilities		
Trade and other payables	24,781	24,076
Loans and borrowings	10,886	12,115
Tax payable	17	25
	<u>35,684</u>	<u>36,216</u>
TOTAL LIABILITIES	<u>49,104</u>	<u>49,878</u>
TOTAL EQUITY AND LIABILITIES	<u>210,733</u>	<u>215,790</u>
Net assets per share (RM) attributable to Owners of the Parent	0.82	0.84

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018)

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

Condensed Consolidated Statement of Changes in Equity

	Attributable to Owners of the Parent					Non-Controlling Interests	Total Equity	
	Share Capital	Foreign Exchange Reserve	Revaluation Reserve	Fair Value Reserve	Accumulated Losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
6 months ended 30.6.2019								
At 1.1.2019	244,239	18,227	1,168	(483)	(86,984)	176,167	(10,255)	165,912
Profit/(Loss) for the period	-	-	-	-	(4,865)	(4,865)	(509)	(5,374)
Other comprehensive income	-	82	-	1,064	-	1,146	(55)	1,091
Total comprehensive income for the period	-	82	-	1,064	(4,865)	(3,719)	(564)	(4,283)
At 30.6.2019	244,239	18,309	1,168	581	(91,849)	172,448	(10,819)	161,629
6 months ended 30.6.2018								
At 31.12.2018	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

(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 2018)

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

Consolidated Statement of Cash Flows

	6 Months Ended 30.6.2019 RM'000	6 Months Ended 30.6.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	(5,359)	(1,430)
Adjustments for:		
Depreciation & amortisation	1,111	1,155
Other non-cash items	718	(235)
Dividend Income	(1)	(2)
Finance costs	649	692
Finance income	(360)	(430)
Operating profit/(loss) before working capital changes	<u>(3,242)</u>	<u>(250)</u>
Change in working capital:		
Property development cost	(268)	1,262
Inventories	(906)	1,101
Trade and other receivables	14,138	(1,706)
Trade and other payables	740	(1,430)
Cash generated from/(used in) operations	<u>10,462</u>	<u>(1,023)</u>
Interest paid	(670)	(712)
Tax paid	(60)	(494)
Net cash from/(used in) operating activities	<u>9,732</u>	<u>(2,229)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	380	482
Expenditure on land held for property development	(206)	(186)
Additions to investment properties	(712)	-
Proceeds from disposal of financial assets at fair value through profit or loss	3,027	2,430
Purchase of financial assets at fair value through profit or loss	(3,024)	(2,007)
Purchase of property, plant and equipment	(311)	(120)
Proceeds from disposal of property, plant and equipment	16	87
Net dividend received	1	2
Net cash from/(used in) investing activities	<u>(829)</u>	<u>688</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings, net drawdown/(repayment)	(1,392)	(1,665)
Repayments of finance lease liabilities	(67)	(187)
Net cash from/(used in) financing activities	<u>(1,459)</u>	<u>(1,852)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	7,444	(3,393)
Effects of exchange rate changes on cash and cash equivalents	(3)	(22)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>16,886</u>	<u>26,537</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>24,327</u>	<u>23,122</u>

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

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 2018. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those of the audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following Malaysian Financing Reporting Standards ("MFRS"), amendments to MFRSs and Issues Committee ("IC") Interpretation which are effective for the financial period beginning on or after 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015 - 2017 Cycle	

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 statements of the Group.

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 <u>beginning on or after</u>
Amendments to References to the Conceptual Framework in MFRS Standards		1 Jan 2020
Amendments to MFRS 3	Definition of a Business	1 Jan 2020
Amendments to MFRS 101 & 108	Definition of Material	1 Jan 2020
MFRS 17	Insurance Contracts	1 Jan 2021
Amendments to MFRS 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.

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NOTES TO THE INTERIM FINANCIAL REPORT

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 June 2019.

A7 Dividends Paid

No dividend has been paid during the financial period ended 30 June 2019.

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019**NOTES TO THE INTERIM FINANCIAL REPORT****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	Property	Property & Investment	Manufacturing	Others	Elimination	Total
30.6.2019	Development	Holding	& Trading			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment Revenue						
External revenue	3,183	3,222	23,910	-	-	30,315
Intersegment revenue	-	777	-	-	(777)	-
	<u>3,183</u>	<u>3,999</u>	<u>23,910</u>	<u>-</u>	<u>(777)</u>	<u>30,315</u>
Segment Results						
Profit/(Loss) from operations	(1,589)	(2,904)	535	(1)	-	(3,959)
Interest Income	163	196	1	-	-	360
Finance costs	(1)	(347)	(301)	-	-	(649)
Depreciation & amortisation	(100)	(177)	(834)	-	-	(1,111)
Profit/(Loss) before tax	(1,527)	(3,232)	(599)	(1)	-	(5,359)
Taxation	21	(43)	7	-	-	(15)
Profit/(Loss) from ordinary activities after tax	(1,506)	(3,274)	(593)	(1)	-	(5,374)
Non-controlling interests	-	509	-	-	-	509
Net profit/(loss) attributable to owners of the parent	<u>(1,506)</u>	<u>(2,765)</u>	<u>(593)</u>	<u>(1)</u>	<u>-</u>	<u>(4,865)</u>
Assets and Liabilities						
Segment assets	43,226	132,721	33,911	875	-	210,733
Segment liabilities	14,042	23,252	11,806	4	-	49,104

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6 months ended 30.6.2018	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	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

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.

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 2019 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 2019.

A13 Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities and contingent assets since 31 March 2019.

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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:

	6 months ended 30.6.2019 RM'000
Rental income received / receivable from related parties	385
Management fee payable to related parties	81
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

	30.6.2019 RM'000	30.6.2018 RM'000	Changes	
			RM'000	%
3 Months Ended				
Revenue				
Property Development	2,883	1,238	1,645	133%
Manufacturing & Trading	11,857	11,260	597	5%
Property & Investment Holding	1,598	1,697	(99)	-6%
	<u>16,338</u>	<u>14,195</u>	<u>2,143</u>	<u>15%</u>
Profit Before Tax				
Property Development	(33)	(168)	135	80%
Manufacturing & Trading	(49)	(1,336)	1,287	96%
Property & Investment Holding and Others	(1,579)	(1,334)	(245)	-18%
	<u>(1,661)</u>	<u>(2,838)</u>	<u>1,177</u>	<u>41%</u>

The Group registered revenue of RM16.34 million and loss before tax of RM1.66 million in the second quarter ended 30 June 2019 as compared to a revenue of RM14.2 million and a loss before tax of RM2.84 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a higher revenue of RM11.86 million in the second quarter ended 30 June 2019 as compared to RM11.26 million in the second quarter 2018 mainly due to increase in sales quantities in 2019 offset by decrease in selling prices.

The property development division recorded a revenue of RM2.88 million in the second quarter 2019, an increase of RM1.65 million as a result of higher contribution from the Pinnacle Kelana Jaya offset by lower contribution from Ipoh projects. As for the property and investment holding division, the revenue was slightly lower at RM1.7 million in 2019.

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NOTES TO THE INTERIM FINANCIAL REPORT

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

For the Quarter (cont'd)

The Group recorded a loss of RM1.66 million in the period under review mainly due to lower loss from the manufacturing and trading division arising from higher sales quantities and higher profit margin in the period under review.

The property development division recorded a lower loss of RM0.03 million in the second quarter 2019 as compared to RM0.2 million in the second quarter 2018 mainly due to the higher contribution from the on-going projects in Ipoh and Pinnacle Kelana Jaya project.

The Group's manufacturing and trading division recorded a lower loss of RM0.05 million in the second quarter 2019 as compared to RM1.34 million loss in the second quarter 2018 mainly due to higher gross profit margin as a result of a 11.4% decrease in wire rod costs.

The Group's property and investment holding division has recorded a loss of RM1.58 million in the second quarter 2019 as compared to RM1.33 million loss in the second quarter 2018 mainly due to the higher maintenance cost of the investment properties.

For the Six Months Period

6 Months Ended	30.6.2019	30.6.2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
Property Development	3,183	9,342	(6,159)	-66%
Property & Investment Holding and Others	3,222	3,388	(166)	-5%
Manufacturing & Trading	23,910	22,313	1,597	7%
	<u>30,315</u>	<u>35,043</u>	<u>(4,728)</u>	<u>-13%</u>
Profit Before Tax				
Property Development	(1,527)	3,615	(5,142)	-142%
Property & Investment Holding and Others	(3,233)	(2,811)	(422)	15%
Manufacturing & Trading	(599)	(2,234)	1,635	73%
	<u>(5,359)</u>	<u>(1,430)</u>	<u>(3,929)</u>	<u>275%</u>

The Group's revenue of RM30.31 million for the financial period ended 30 June 2019 represents a 13% or RM4.73 million decrease from RM35.04 million in the corresponding period ended 30 June 2018. The property division recorded a decrease of RM6.16 million due to lower contribution from the Pinnacle Kelana Jaya project and Ipoh projects. The manufacturing and trading division recorded an increase in revenue of 7% or RM1.6 million as compared to the corresponding period ended 30 June 2018 mainly due to increase in sales quantities offset by lower selling prices.

The property development division recorded a revenue of RM3.18 million in the financial period ended 30 June 2019, a decrease of RM6.16 million as a result of lower contribution from the Pinnacle Kelana Jaya and Ipoh projects. As for the property and investment holding division, the revenue was 5% lower at RM3.2 million in 2019 due to lower rental income.

Gross profit margin of the Group decreased from 19.8% in the financial period ended 30 June 2018 to 6.7% in the financial period ended 30 June 2019 mainly due to lower contribution from the Pinnacle project and projects in Ipoh, offset by higher margin of the manufacturing and trading division .

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NOTES TO THE INTERIM FINANCIAL REPORT

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

For the Six Months Period (cont'd)

The Group recorded a loss before tax of RM5.36 million for the financial period ended 30 June 2019 as compared to RM1.43 million in the corresponding period ended 30 June 2018. The manufacturing and trading division recorded a lower loss before tax of RM0.6 million as compared to RM2.23 million in the corresponding period ended 30 June 2018 due to higher gross profit margin as a result of lower production costs. Selling prices decreased by 4% in response to a 10% decrease in raw materials costs. Gross profit margin increased by 7% for the financial period ended 30 June 2019 as compared to the preceding financial period ended 30 June 2018. A loss of RM1.53 million was recorded by the property division as compared to a profit of RM3.62 million for the financial period ended 30 June 2018. This was mainly due to lower contribution from the Group's projects in Ipoh due to completion of projects and lower sales of Pinnacle Kelana Jaya units.

In the financial period ended 30 June 2019, the Group's property and investment holding division recorded a loss of RM3.23 million as compared to RM2.81 million loss in the financial period ended 30 June 2018. The higher loss of RM0.4 million was mainly due to higher maintenance cost incurred for investment properties and lower rental income.

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 2019 vs First Quarter 2019

	Current	Immediate	Changes	
	Quarter	Preceding		
	30.6.2019	31.3.2019	RM'000	%
	RM'000	RM'000		
Revenue				
Property Development	2,883	300	2,583	862%
Manufacturing & Trading	11,857	12,053	(196)	-2%
Property & Investment Holding	1,598	1,624	(26)	-2%
	<u>16,338</u>	<u>13,977</u>	<u>2,361</u>	<u>17%</u>
Profit Before Tax				
Property Development	(33)	(1,494)	1,461	98%
Manufacturing & Trading	(49)	(550)	501	91%
Property & Investment Holding and Others	(1,579)	(1,653)	74	4%
	<u>(1,661)</u>	<u>(3,697)</u>	<u>2,036</u>	<u>55%</u>

During the 3 months ended 30 June 2019, the Group's revenue of RM16.34 million represents an increase of RM2.36 million or 17% from the RM13.98 million revenue recorded in the preceding 3 months ended 31 March 2019. The increase in revenue was mainly due to higher contribution from the on-going Ipoh projects and Pinnacle project. The manufacturing and trading division recorded a lower revenue of RM11.86 million in the second quarter 2019, a decrease of 2% or RM0.2 million as compared with RM12.05 million in the first quarter 2019 as a result of a 1% decrease in sales quantities. As for the property and investment holding division, the revenue was consistent at RM1.6 million for both current and preceding quarters.

The Group recorded a loss before tax of RM1.66 million in the second quarter 2019, a lower loss of RM2.04 million as compared to RM3.7 million the first quarter 2019 mainly due to lower losses from the property and the manufacturing and trading divisions.

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NOTES TO THE INTERIM FINANCIAL REPORT

B2 Explanatory comments on Any Material Change in the Profit Before Taxation for the Quarter

Second Quarter 2019 vs First Quarter 2019 (cont'd)

The property development division recorded a lower loss of RM0.03 million in the second quarter 2019 as compared to RM1.49 million loss in the first quarter 2019 mainly due the higher profit recognition from the on-going projects in Ipoh and Pinnacle Kelana Jaya project.

The Group's manufacturing and trading division recorded a lower loss of RM0.05 million in the second quarter 2019 as compared to RM0.55 million loss in the first quarter 2019 mainly due to higher gross profit margin as a result of a 3% decrease in wire rod costs.

The Group's property and investment holding division recorded a lower loss of RM1.6m in the second quarter 2019 due to higher interest income.

B3 Commentary on Prospects

The property market was soft with low transaction volumes and property prices was stagnant in the first half of 2019. The downward pressure on property prices is expected to continue for the current financial year 2019. The Group will focus on selling the unsold units of the Pinnacle Kelana Jaya project and the continuation of its existing projects in Ipoh.

As for the manufacturing division, demand for galvanized wires is expected to remain subdued in 2019. 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 2019. Thus 2019 will continue to remain challenging for the Group.

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

Not applicable.

B5 Taxation

	3 months Ended 30.6.2019 RM'000	6 months Ended 30.6.2019 RM'000
Taxation based on the results for the period:		
Malaysian taxation	1	1
Overseas taxation	13	26
Transfer to/(from) deferred taxation	(23)	(12)
	(8)	15
Under/(Over) provision of taxation in respect of prior year	-	-
	(8)	15

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.

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019

NOTES TO THE INTERIM FINANCIAL REPORT

B6 Status of Corporate Proposals

No corporate proposal was undertaken by the Group in the financial period ended 30 June 2019.

B7 Group Borrowings

	As at 30.6.2019 RM'000	As at 30.6.2018 RM'000
Current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	138	163
- Bankers' acceptance (floating interest rate)	8,805	10,308
- Term loan (floating interest rate)	1,943	1,080
	<u>10,886</u>	<u>11,551</u>
Non-current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	103	241
- Term loan (floating interest rate)	12,270	12,970
	<u>12,373</u>	<u>13,211</u>
Borrowings maturity:		
Less than one year	10,886	11,551
Later than one year and not later than two years	3,224	1,746
Later than two years and not later than five years	7,078	6,969
Later than five years	2,071	4,496
	<u>23,259</u>	<u>24,762</u>
 The weighted average effective rates per annum are as follows:		
- Finance lease liabilities	3.80%	3.90%
- Bankers' acceptance	6.02%	6.12%
- Term loan	<u>6.23%</u>	<u>6.20%</u>
 The proportion of debts are as follows:		
- Fixed interest rate	1.0%	1.6%
- Floating interest rate	<u>99.0%</u>	<u>98.4%</u>

B8 Derivative Financial Instruments

There were no derivative financial instruments as at financial period ended 30 June 2019.

B9 Material Litigation

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

SOUTH MALAYSIA INDUSTRIES BERHAD (8482 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2019**NOTES TO THE INTERIM FINANCIAL REPORT****B10 Dividends**

The Directors do not recommend any payment of dividend for the financial period ended 30 June 2019.

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	
	30.6.2019	30.6.2018	30.6.2018	30.6.2019
	RM'000	RM'000	RM'000	RM'000
(a) Other income including investment income	(156)	(138)	(277)	(290)
(b) Depreciation and amortisation	548	578	1,111	1,155
(c) Provision for and write-off of receivables	(52)	3	(75)	9
(d) Loss/(Gain) on disposal of quoted investments	(0)	(1)	(3)	(4)
(e) Foreign exchange loss/(gain)	24	(24)	32	(4)
(f) Fair value adjustment of investment properties	332	(592)	670	(250)

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 2019.

B12 Earnings per Share

	3 Months Ended		6 Months Ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
(a) Basic Earnings per Share				
Net profit/(loss) attributable to owners of the parent	(1,410)	(2,364)	(4,865)	(1,259)
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	<u>(0.67)</u>	<u>(1.13)</u>	<u>(2.32)</u>	<u>(0.60)</u>

(b) Diluted Earnings per Share

There is no dilutive event as at 30 June 2019 and 30 June 2018. Therefore, the diluted EPS is the same as the basic EPS.

By Order of the Board

Tan Siew Chin

Company Secretary

Kuala Lumpur

Date: 28 August 2019