

SOUTH MALAYSIA INDUSTRIES BERHAD

Registration No. 196901000152 (8482-D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2019**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	3 Months Ended		12 Months Ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Revenue	18,111	17,511	67,754	70,494
Operating Expenses	(20,404)	(20,286)	(73,205)	(75,835)
Other Expenses	(1,633)	(377)	(3,361)	(1,807)
Interest Income	303	153	882	714
Other Operating Income	511	10,511	1,247	11,912
Profit/(Loss) from Operations	(3,112)	7,512	(6,683)	5,478
Finance Costs	(302)	(321)	(1,244)	(1,377)
Profit/(Loss) before tax	(3,414)	7,191	(7,927)	4,101
Tax	160	(245)	(823)	(844)
Net profit/(loss) for the period	(3,254)	6,946	(8,750)	3,257
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange translation difference of foreign operations	826	1,964	(63)	(682)
- Financial assets at fair value through other comprehensive income	459	(2,079)	774	(4,109)
Other comprehensive income for the period, net of tax	1,285	(115)	711	(4,791)
Total comprehensive income for the period	(1,969)	6,831	(8,039)	(1,534)
Profit/(Loss) attributable to:				
Owners of the parent	(2,940)	7,098	(7,680)	4,294
Non-controlling interests	(314)	(152)	(1,070)	(1,037)
	(3,254)	6,946	(8,750)	3,257
Total comprehensive income attributable to:				
Owners of the parent	(1,899)	6,928	(6,847)	66
Non-controlling interests	(70)	(97)	(1,192)	(1,600)
	(1,969)	6,831	(8,039)	(1,534)
Earnings/(Loss) per share attributable to				
Owners of the parent:				
Basic/Diluted (sen)	(1.40)	3.38	(3.66)	2.05

(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)

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2019

Condensed Consolidated Statement of Financial Position

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	14,079	14,809
Prepaid lease payments	-	159
Investment properties	85,218	86,561
Inventories	8,521	10,060
Other investments	24,523	23,823
Trade and other receivables	728	1,319
	133,069	136,731
Current assets		
Inventories	17,233	15,749
Trade and other receivables	34,828	46,424
Other investments	4,004	-
Cash and cash equivalents	14,147	16,886
	70,212	79,059
TOTAL ASSETS	203,281	215,790
EQUITY		
Capital and reserves attributable to the Owners of the parent		
Share capital	244,239	244,239
Reserves	19,745	18,912
Accumulated losses	(94,664)	(86,984)
Shareholders' equity	169,320	176,167
Non-controlling interests	(11,447)	(10,255)
TOTAL EQUITY	157,873	165,912
LIABILITIES		
Non-current liabilities		
Loans and borrowings	11,228	12,603
Deferred tax liabilities	943	1,059
	12,171	13,662
Current liabilities		
Trade and other payables	21,627	24,076
Loans and borrowings	11,423	12,115
Tax payable	187	25
	33,237	36,216
TOTAL LIABILITIES	45,408	49,878
TOTAL EQUITY AND LIABILITIES	203,281	215,790
Net assets per share (RM) attributable to Owners of the Parent	0.81	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 FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2019

Condensed Consolidated Statement of Changes in Equity

	Attributable to Owners of the Parent					Total	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	RM'000
12 months ended 31.12.2019								
At 1.1.2019	244,239	18,227	1,168	(483)	(86,984)	176,167	(10,255)	165,912
Profit/(Loss) for the period	-	-	-	-	(7,680)	(7,680)	(1,070)	(8,750)
Other comprehensive income	-	59	-	774	-	833	(122)	711
Total comprehensive income for period	-	59	-	774	(7,680)	(6,847)	(1,192)	(8,039)
At 31.12.2019	244,239	18,286	1,168	291	(94,664)	169,320	(11,447)	157,873
12 months ended 31.12.2018								
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 31.12.2017 (restated)	244,239	18,346	1,168	3,626	(91,041)	176,338	(8,654)	167,684
Effect of MFRS 9 adoption	-	-	-	-	(237)	(237)	-	(237)
At 1.1.2018	244,239	18,346	1,168	3,626	(91,278)	176,101	(8,654)	167,447
Profit/(Loss) for the period	-	-	-	-	4,294	4,294	(1,037)	3,257
Other comprehensive income	-	(119)	-	(4,109)	-	(4,228)	(564)	(4,792)
Total comprehensive income for the period	-	(119)	-	(4,109)	4,294	66	(1,601)	(1,535)
At 31.12.2018	244,239	18,227	1,168	(483)	(86,984)	176,167	(10,255)	165,912

(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 FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2019

Consolidated Statement of Cash Flows

	12 Months Ended 31.12.2019 RM'000	12 Months Ended 31.12.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	(7,926)	4,101
Adjustments for:		
Depreciation & amortisation	2,485	2,373
Other non-cash items	2,573	(10,067)
Dividend Income	(45)	(19)
Finance costs	1,244	1,377
Finance income	(882)	(714)
Operating profit/(loss) before working capital changes	<u>(2,551)</u>	<u>(2,949)</u>
Change in working capital:		
Property development cost	(837)	2,075
Inventories	1,730	2,137
Trade and other receivables	11,570	(4,536)
Trade and other payables	(2,355)	(2,431)
Cash generated from/(used in) operations	<u>7,557</u>	<u>(5,704)</u>
Interest paid	(1,265)	(1,376)
Tax paid	(123)	(687)
Net cash from/(used in) operating activities	<u>6,169</u>	<u>(7,767)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	906	744
Expenditure on land held for property development	(241)	(447)
Acquisition of land for property development	(721)	-
Additions to investment properties	(1,081)	(50)
Proceeds from disposal of financial assets at fair value through profit or loss	4,395	429
Purchase of financial assets at fair value through profit or loss	(8,392)	-
Purchase of property, plant and equipment	(1,752)	(758)
Proceeds from disposal of property, plant and equipment	56	115
Net dividend received	45	19
Net cash from/(used in) investing activities	<u>(6,785)</u>	<u>52</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings, net drawdown/(repayment)	(1,932)	(1,613)
Repayments of finance lease liabilities	(136)	(282)
Net cash from/(used in) financing activities	<u>(2,068)</u>	<u>(1,895)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	(2,684)	(9,610)
Effects of exchange rate changes on cash and cash equivalents	(55)	(41)
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>14,147</u>	<u>16,886</u>

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 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 beginning on or after
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
Amendments to MFRS 9	Interest Rate Benchmark Reform	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 31 December 2019.

A7 Dividends Paid

No dividend has been paid during the financial period ended 31 December 2019.

A8 Segment Reporting

The Group is organised on a worldwide basis into three main business segments:

- (a) Property development - develop and sale of residential and commercial properties
- (b) Property & investment holding - investment in properties, carpark operation and holding company
- (c) Manufacturing & trading - manufacture of assorted wires and trading

Other operations of the Group mainly comprise of dormant companies which are not of sufficient size to be reported separately.

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NOTES TO THE INTERIM FINANCIAL REPORT

12 months ended 31.12.2019	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	12,723	6,402	48,629	-	-	67,754
Intersegment revenue	-	3,305	-	-	(3,305)	-
	12,723	9,707	48,629	-	(3,305)	67,754
Segment Results						
Profit/(Loss) from operations	1,468	(7,383)	844	(9)	-	(5,080)
Interest Income	602	272	8	-	-	882
Finance costs	(1)	(673)	(570)	-	-	(1,244)
Depreciation & amortisation	(201)	(612)	(1,672)	-	-	(2,485)
Profit/(Loss) before tax	1,868	(8,396)	(1,390)	(9)	-	(7,927)
Taxation	(742)	(94)	13	-	-	(823)
Profit/(Loss) from ordinary activities after tax	1,126	(8,490)	(1,377)	(9)	-	(8,750)
Non-controlling interests	-	1,070	-	-	-	1,070
Net profit/(loss) attributable to owners of the parent	1,126	(7,420)	(1,377)	(9)	-	(7,680)
Assets and Liabilities						
Segment assets	42,661	126,645	33,102	873	-	203,281
Segment liabilities	11,253	22,306	11,842	6	-	45,407

12 months ended 31.12.2018	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	15,259	6,817	48,418	-	-	70,494
Intersegment revenue	-	1,559	-	-	(1,559)	-
	15,259	8,376	48,418	-	(1,559)	70,494
Segment Results						
Profit/(Loss) from operations	3,296	5,401	(1,516)	(44)	-	7,137
Interest Income	536	171	7	-	-	714
Finance costs	(5)	(695)	(677)	-	-	(1,377)
Depreciation & amortisation	(294)	(379)	(1,700)	-	-	(2,373)
Profit/(Loss) before tax	3,533	4,498	(3,886)	(44)	-	4,101
Taxation	(475)	(386)	17	-	-	(844)
Profit/(Loss) from ordinary activities after tax	3,058	4,112	(3,869)	(44)	-	3,257
Non-controlling interests	-	1,037	-	-	-	1,037
Net profit/(loss) attributable to owners of the parent	3,058	5,149	(3,869)	(44)	-	4,294
Assets and Liabilities						
Segment assets	40,831	137,012	37,076	871	-	215,790
Segment liabilities	12,129	23,436	14,307	6	-	49,878

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NOTES TO THE INTERIM FINANCIAL REPORT

A10 Valuation of Property, Plant & Equipment

The valuation of property, plant and equipment have been brought forward, without amendments from the previous audited financial statements.

A11 Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the current financial period ended 31 December 2019 up to the date of this report.

A12 Changes in the Composition of the Group

On 26.7.2019, SMIB has accepted the proposal to acquire 1.8 million ordinary shares in Forward Energy Sdn Bhd ("FESB") representing 60% equity interest in FESB from Dato' Azmi Bin Abdullah and Datin Zarinah Binti Md Shariff for a total cash consideration of RM6.0 million.

FESB's nature of business is in the renewable energy related business specifically in the area of consulting and as an independent power producer in a small scale. The Share Sale Agreement is conditional upon the fulfillment of condition precedents including, inter-alia due diligence review on FESB and its subsidiaries and the business.

First 10% deposit of RM0.6 million was paid upon signing the Share Sale Agreement on 26.7.2019. Second payment of RM1.5 million was paid on 16.10.2019 leaving a balance of RM3.9 million yet to be paid pending the fulfillment of all condition precedents of the Share Sale Agreement.

A13 Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities and contingent assets since 30 September 2019.

A14 Outstanding Commitments

There were no outstanding commitments for the financial period under review except as mentioned in A12 above.

A15 Related Party Transactions

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

	12 months ended 31.12.2019 RM'000
Rental income received / receivable from related parties	770
Management fee paid/payable to related parties	287
Advisory fee paid to a related party	520
Disposal of a motor vehicle to an ex-director	<u>15</u>

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NOTES TO THE INTERIM FINANCIAL REPORT

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

B1 Review of Performance of the Company and its Principal Subsidiaries

For the Quarter

3 Months Ended	31.12.2019	31.12.2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
Property Development	3,357	2,493	864	35%
Manufacturing & Trading	13,124	13,341	(217)	-2%
Property & Investment Holding	1,630	1,677	(47)	-3%
	<u>18,111</u>	<u>17,511</u>	<u>600</u>	<u>3%</u>
Profit Before Tax				
Property Development	385	(667)	1,052	158%
Manufacturing & Trading	(383)	(735)	352	48%
Property & Investment Holding and Others	(3,416)	8,593	(12,009)	140%
	<u>(3,414)</u>	<u>7,191</u>	<u>(10,605)</u>	<u>147%</u>

The Group registered revenue of RM18.11 million and loss before tax of RM3.41 million in the fourth quarter ended 31 December 2019 as compared to a revenue of RM17.51 million and a profit before tax of RM7.19 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a lower revenue of RM13.12 million in the fourth quarter ended 31 December 2019 as compared to RM13.34 million in the fourth quarter 2018 mainly due to decrease in selling prices in 2019 offset by increase in sales quantities.

The property development division recorded a revenue of RM3.36 million in the fourth quarter 2019, an increase of RM0.86 million as a result of higher contribution of Pinnacle Kelana Jaya project offset by lower contribution from the Ipoh projects. As for the property and investment holding division, the revenue was slightly lower at RM1.63 million in 2019 due to lower rental income.

The Group recorded a loss before tax of RM3.41 million in the period under review as compared to a profit of RM7.19 million in the fourth quarter ended 31 December 2018 mainly due to the absence of RM10.18 million gain on government compulsory land acquisition in Kelana Jaya and impairment of investment properties.

The property development division recorded a profit of RM0.39 million in the fourth quarter 2019 as compared to a loss of RM0.67 million in the fourth quarter 2018 mainly due to the higher contribution from Pinnacle Kelana Jaya project upon final profit recognition.

The Group's manufacturing and trading division recorded a lower loss of RM0.38 million in the fourth quarter 2019 as compared to RM0.74 million loss in the fourth quarter 2018 mainly due to higher gross profit margin as a result of a 10.3% decrease in wire rod costs.

The Group's property and investment holding division has recorded a loss of RM3.42 million in the fourth quarter 2019 as compared to a profit of RM8.59 million in the fourth quarter 2018 mainly due to the absence of RM10.18 million gain on government compulsory land acquisition in Kelana Jaya recognised in 2018 and a fair value adjustment loss of RM1.1 million in respect of investment properties in the fourth quarter 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 Twelve Months Period

12 Months Ended	31.12.2019	31.12.2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
Property Development	12,723	15,259	(2,536)	-17%
Property & Investment Holding and Others	6,402	6,817	(415)	-6%
Manufacturing & Trading	48,629	48,418	211	0%
	<u>67,754</u>	<u>70,494</u>	<u>(2,740)</u>	<u>-4%</u>
Profit Before Tax				
Property Development	1,868	3,533	(1,665)	-47%
Property & Investment Holding and Others	(8,405)	4,454	(12,859)	-289%
Manufacturing & Trading	(1,390)	(3,886)	2,496	64%
	<u>(7,927)</u>	<u>4,101</u>	<u>(12,028)</u>	<u>-293%</u>

The Group's revenue of RM67.75 million for the financial period ended 31 December 2019 represents a 4% or RM2.74 million decrease from RM70.49 million in the corresponding period ended 31 December 2018. The property division recorded a decrease of RM2.54 million due to lower contribution from the Pinnacle Kelana Jaya project. The manufacturing and trading division recorded a slight increase in revenue of RM0.21 million as compared to the corresponding period ended 31 December 2018 mainly due to increase in sales quantities offset by lower selling prices.

The property development division recorded a revenue of RM12.72 million in the financial period ended 31 December 2019, mainly contributed by the on-going projects in Ipoh and Pinnacle Kelana Jaya project. As for the property and investment holding division, the revenue was 6% lower at RM6.4 million in 2019 due to lower rental income as a result of lower occupancy rate.

Gross profit margin of the Group was higher at 18.4% for financial period ended 31 December 2019 as compared to 16.6% for the corresponding period ended 31 December 2018 mainly due to higher margin of the manufacturing and trading division .

The Group recorded a loss before tax of RM7.93 million for the financial period ended 31 December 2019 as compared to a profit of RM4.1 million in the corresponding period ended 31 December 2018. The manufacturing and trading division recorded a lower loss before tax of RM1.39 million as compared to RM3.89 million in the corresponding period ended 31 December 2018 due to higher gross profit margin as a result of lower production costs. Selling prices decreased by 3.3% in response to a 7.8% decrease in raw materials costs. Gross profit margin increased by 5% for the financial period ended 31 December 2019 as compared to the preceding financial period ended 31 December 2018. A profit of RM1.87 million was recorded by the property division as compared to a profit of RM3.53 million for the financial period ended 31 December 2018. This was mainly due to lower contribution from the sales of Pinnacle Kelana Jaya units offset by higher contribution from the Group's projects in Ipoh.

In the financial period ended 31 December 2019, the Group's property and investment holding division recorded a loss of RM8.4 million as compared to RM4.45 million profit in the financial period ended 31 December 2018. The higher loss of RM12.86 million was mainly due to higher maintenance costs incurred for investment properties, lower rental income, the absence of the RM10.18 million gain on government compulsory land acquisition in Kelana Jaya and a RM1.1 million fair value adjustment loss of investment properties.

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NOTES TO THE INTERIM FINANCIAL REPORT

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

Fourth Quarter 2019 vs Third Quarter 2019

	Current	Immediate	Changes	
	Quarter	Preceding	RM'000	%
	31.12.2019	30.9.2019		
Revenue	RM'000	RM'000		
Property Development	3,357	6,183	(2,826)	-46%
Manufacturing & Trading	13,124	11,595	1,529	13%
Property & Investment Holding	1,630	1,549	81	5%
	<u>18,111</u>	<u>19,327</u>	<u>(1,216)</u>	<u>-6%</u>
Profit Before Tax				
Property Development	385	3,010	(2,625)	87%
Manufacturing & Trading	(383)	(407)	24	6%
Property & Investment Holding and Others	(3,416)	(1,756)	(1,660)	-95%
	<u>(3,414)</u>	<u>847</u>	<u>(4,261)</u>	<u>503%</u>

During the 3 months ended 31 December 2019, the Group's revenue of RM18.11 million represents a decrease of RM1.22 million or 6% from the RM19.33 million revenue recorded in the preceding 3 months ended 30 September 2019. The decrease in revenue was mainly due to lower contribution from the on-going Ipoh projects. The manufacturing and trading division recorded a higher revenue of RM13.12 million in the fourth quarter 2019, an increase of 13% or RM1.53 million as compared with RM11.6 million in the third quarter 2019 as a result of a 18% increase in sales quantities. As for the property and investment holding division, the revenue was slightly higher at RM1.6 million in the current quarter due to increase in car parking revenue.

The Group recorded a loss before tax of RM3.41 million in the fourth quarter 2019, a decrease of RM4.26 million as compared to a profit of RM0.85 million in the third quarter 2019 mainly due to lower profit from the property division.

The property development division recorded a lower profit of RM0.39 million in the fourth quarter 2019 as compared to RM3.01 million profit in the third quarter 2019 mainly due the lower profit recognition from the on-going projects in Ipoh.

The Group's manufacturing and trading division recorded a higher loss of RM0.38 million in the fourth quarter 2019 as compared to RM0.41 million loss in the third quarter 2019 mainly due to improvement in gross profit margin as a result of decrease in wire rod costs.

The Group's property and investment holding division recorded a higher loss of RM3.42 million in the fourth quarter 2019 as compared to RM1.76 million loss in the third quarter 2019 due to higher administrative costs and fair value adjustment loss of RM1.1 million in respect of investment properties.

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INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER AND FINANCIAL PERIOD ENDED 31 DECEMBER 2019

NOTES TO THE INTERIM FINANCIAL REPORT

B3 Commentary on Prospects

The property market was affected by the high levels of stocks and slower economic growth in 2019 and is expected to continue in 2020. 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 remained subdued in 2019 and this trend is not expected to recover in 2020. 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 2020. The Group's result in 2020 is not expected to improve in the current unfavourable market conditions.

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

Not applicable.

B5 Taxation

	3 months Ended 31.12.2019 RM'000	12 months Ended 31.12.2019 RM'000
Taxation based on the results for the period:		
Malaysian taxation	(55)	728
Overseas taxation	13	51
Transfer to/(from) deferred taxation	(92)	(116)
	<u>(134)</u>	<u>664</u>
Under/(Over) provision of taxation in respect of prior year	(26)	159
	<u>(160)</u>	<u>823</u>

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

B6 Status of Corporate Proposals

No corporate proposal was undertaken by the Group in the financial period ended 31 December 2019.

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NOTES TO THE INTERIM FINANCIAL REPORT

B7 Group Borrowings

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	122	135
- Bankers' acceptance (floating interest rate)	8,326	10,900
- Term loan (floating interest rate)	2,975	1,080
	<u>11,423</u>	<u>12,115</u>
Non-current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	51	173
- Term loan (floating interest rate)	11,177	12,430
	<u>11,228</u>	<u>12,603</u>
Borrowings maturity:		
Less than one year	11,423	12,115
Later than one year and not later than two years	3,210	2,090
Later than two years and not later than five years	6,887	6,965
Later than five years	1,131	3,548
	<u>22,651</u>	<u>24,718</u>
 The weighted average effective rates per annum are as follows:		
- Finance lease liabilities	3.74%	3.84%
- Bankers' acceptance	5.84%	6.11%
- Term loan	<u>5.98%</u>	<u>6.22%</u>
 The proportion of debts are as follows:		
- Fixed interest rate	0.8%	1.2%
- Floating interest rate	<u>99.2%</u>	<u>98.8%</u>

B8 Derivative Financial Instruments

There were no derivative financial instruments as at financial period ended 31 December 2019.

B9 Material Litigation

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

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NOTES TO THE INTERIM FINANCIAL REPORT

B10 Dividends

The Directors do not recommend any payment of dividend for the financial period ended 31 December 2019.

B11 Profit/(Loss) From Operations

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

	3 Months Ended		12 Months Ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
(a) Other income including investment income	(497)	(137)	(1,168)	(562)
(b) Depreciation and amortisation	827	576	2,485	2,372
(c) Provision for and write-off of receivables	(1)	1	(63)	6
(d) Loss/(Gain) on disposal of quoted investments	-	(2)	(3)	(10)
(e) Foreign exchange loss/(gain)	(5)	43	41	38
(f) Inventories write-down	125	123	125	123
(g) Fair value adjustment of receivables	-	(170)	-	(170)
(h) Fair value adjustment of investment properties	1,427	3	2,417	77
(i) Gain on government compulsory land acquisition	-	(10,180)	-	(10,180)

Other than the above, there were no impairment of assets, loss/(gain) on derivatives, and exceptional items for the current quarter and financial period ended 31 December 2019.

B12 Earnings per Share

	3 Months Ended		12 Months Ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
(a) Basic Earnings per Share				
Net profit/(loss) attributable to owners of the parent	(2,940)	7,098	(7,680)	4,294
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	(1.40)	3.38	(3.66)	2.05

(b) Diluted Earnings per Share

There is no dilutive event as at 31 December 2019 and 31 December 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: 27 February 2020