

**SOUTH MALAYSIA INDUSTRIES BERHAD**

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

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020****Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	3 Months Ended		6 Months Ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Revenue	6,778	16,338	19,079	30,315
Operating Expenses	(19,404)	(17,427)	(34,750)	(34,553)
Other Expenses	(67)	(703)	(279)	(1,187)
Interest Income	101	273	161	360
Other Operating Income	856	205	3,399	355
Profit/(Loss) from Operations	(11,736)	(1,314)	(12,390)	(4,710)
Finance Costs	(289)	(347)	(532)	(649)
Profit/(Loss) before tax	(12,025)	(1,661)	(12,922)	(5,359)
Tax	24	8	4	(15)
Net profit/(loss) for the period	(12,001)	(1,653)	(12,918)	(5,374)
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange translation difference of foreign operations	1,073	(137)	(392)	27
- Financial assets at fair value through other comprehensive income	919	725	(1,934)	1,064
Other comprehensive income for the period, net of tax	1,992	588	(2,326)	1,091
Total comprehensive income for the period	(10,009)	(1,065)	(15,244)	(4,283)
Profit/(Loss) attributable to:				
Owners of the parent	(11,535)	(1,410)	(12,283)	(4,865)
Non-controlling interests	(466)	(243)	(635)	(509)
	(12,001)	(1,653)	(12,918)	(5,374)
Total comprehensive income attributable to:				
Owners of the parent	(9,629)	(442)	(13,838)	(3,719)
Non-controlling interests	(380)	(623)	(1,406)	(564)
	(10,009)	(1,065)	(15,244)	(4,283)
<b>Earnings/(Loss) per share attributable to</b>				
<b>Owners of the parent:</b>				
Basic/Diluted (sen)	(5.49)	(0.67)	(5.85)	(2.32)

(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 2019.)

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

## Condensed Consolidated Statement of Financial Position

	As at 30.6.2020 RM'000	As at 31.12.2019 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	8,147	9,016
Right-to-use assets	4,762	5,062
Investment properties	85,089	85,218
Inventories	8,666	8,522
Other investments	22,601	24,523
Trade and other receivables	728	728
	129,993	133,069
<b>Current assets</b>		
Inventories	18,210	17,233
Trade and other receivables	30,974	34,828
Other investments	3,513	4,004
Cash and cash equivalents	7,042	14,147
	59,739	70,212
<b>TOTAL ASSETS</b>	<b>189,732</b>	<b>203,281</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Owners of the parent</b>		
Share capital	244,239	244,239
Reserves	18,190	19,745
Accumulated losses	(106,947)	(94,664)
Shareholders' equity	155,482	169,320
<b>Non-controlling interests</b>	(12,853)	(11,447)
<b>TOTAL EQUITY</b>	<b>142,629</b>	<b>157,873</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans and borrowings	11,481	11,228
Deferred tax liabilities	901	943
	12,383	12,171
<b>Current liabilities</b>		
Trade and other payables	24,696	21,627
Loans and borrowings	9,968	11,423
Tax payable	57	187
	34,721	33,237
<b>TOTAL LIABILITIES</b>	<b>47,103</b>	<b>45,408</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>189,732</b>	<b>203,281</b>
Net assets per share (RM) attributable to Owners of the Parent	0.74	0.81

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019.)

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## INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

### 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 30.6.2020								
At 1.1.2020	244,239	18,287	1,168	290	(94,664)	169,320	(11,447)	157,873
Profit/(Loss) for the period	-	-	-	-	(12,283)	(12,283)	(635)	(12,918)
Other comprehensive income	-	379	-	(1,934)	-	(1,555)	(771)	(2,326)
Total comprehensive income for period	-	379	-	(1,934)	(12,283)	(13,838)	(1,406)	(15,244)
At 30.6.2020	244,239	18,666	1,168	(1,644)	(106,947)	155,482	(12,853)	142,629
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

(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 2019.)

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## INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

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### Consolidated Statement of Cash Flows

	<b>6 Months Ended 30.6.2020 RM'000</b>	<b>6 Months Ended 30.6.2019 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit/(Loss) before tax</b>	(12,922)	(5,359)
Adjustments for:		
Depreciation & amortisation	1,280	1,111
Other non-cash items	(2)	718
Dividend Income	(2,408)	(1)
Finance costs	532	649
Interest income	(161)	(360)
<b>Operating profit/(loss) before working capital changes</b>	<u>(13,681)</u>	<u>(3,242)</u>
<b>Change in working capital:</b>		
Property development cost	(1,029)	(268)
Inventories	51	(906)
Trade and other receivables	3,936	14,138
Trade and other payables	2,560	740
Cash generated from/(used in) operations	<u>(8,163)</u>	<u>10,462</u>
Interest paid	(532)	(670)
Tax paid	(172)	(60)
Net cash from/(used in) operating activities	<u>(8,867)</u>	<u>9,732</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	162	380
Expenditure on land held for property development	(144)	(206)
Additions to investment properties	-	(712)
Proceeds from disposal of financial assets at fair value through profit or loss	4,552	3,027
Purchase of financial assets at fair value through profit or loss	(3,972)	(3,024)
Purchase of property, plant and equipment	(110)	(311)
Proceeds from disposal of property, plant and equipment	12	16
Net dividend received	2,408	1
Net cash from/(used in) investing activities	<u>2,908</u>	<u>(829)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans and borrowings, net drawdown/(repayment)	(1,146)	(1,392)
Repayments of finance lease liabilities	(56)	(67)
Net cash from/(used in) financing activities	<u>(1,202)</u>	<u>(1,459)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>	(7,161)	7,444
Effects of exchange rate changes on cash and cash equivalents	56	(3)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>14,147</u>	<u>16,886</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<u>7,042</u>	<u>24,327</u>

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## INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

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### 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 2019. 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 2019.

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 2019, 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 2020:

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 & 108	Definition of Material
Amendments to MFRS 9, 139 & 7	Interest Rate Benchmark Reform

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 MFRS 16	Covid-19 - Related Rent Concessions	1 June 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRSs Standards 2018 -2020		1 January 2022
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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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

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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**

The Directors of the Group have closely monitored the development of the outbreak of Covid-19 pandemic in Malaysia that may affect the business performance, financial performance and financial position of the Group mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group business operations. As at the date of this report, the financial impact of the outbreak to the Group cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to Covid-19 pandemic, the extent of the impact depends on the on-going precautionary measures introduced by each country to address the pandemic and the durations of the pandemic. As such, the Directors of the Group will continue to closely monitor the situation and respond proactively to mitigate the impact on the Group's financial performance and financial position.

### **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 2020.

### **A7 Dividends Paid**

No dividend has been paid during the financial period ended 30 June 2020.

### **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

6 months ended 30.6.2020	Property	Property & Investment	Manufacturing	Others	Elimination	Total
	Development RM'000	Holding RM'000	& Trading RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>						
External revenue	646	2,143	16,290	-	-	19,079
Intersegment revenue	-	848	-	-	(848)	-
	646	2,991	16,290	-	(848)	19,079
<b>Segment Results</b>						
Profit/(Loss) from operations	(10,383)	(1,078)	(110)	(1)	-	(11,572)
Interest Income	(21)	181	1	-	-	161
Finance costs	(0)	(302)	(230)	-	-	(532)
Depreciation & amortisation	(102)	(237)	(640)	-	-	(979)
Profit/(Loss) before tax	(10,506)	(1,436)	(979)	(1)	-	(12,922)
Taxation	(4)	8	-	-	-	4
Profit/(Loss) from ordinary activities after tax	(10,510)	(1,428)	(979)	(1)	-	(12,918)
Non-controlling interests	-	635	-	-	-	635
Net profit/(loss) attributable to owners of the parent	(10,510)	(793)	(979)	(1)	-	(12,283)
<b>Assets and Liabilities</b>						
Segment assets	35,934	122,394	30,526	878	-	189,732
Segment liabilities	13,470	23,306	10,323	4	-	47,103

6 months ended 30.6.2019	Property	Property & Investment	Manufacturing	Others	Elimination	Total
	Development RM'000	Holding RM'000	& Trading RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>						
External revenue	3,183	3,222	23,910	-	-	30,315
Intersegment revenue	-	777	-	-	(777)	-
	3,183	3,999	23,910	-	(777)	30,315
<b>Segment Results</b>						
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)	(3,275)	(592)	(1)	-	(5,374)
Non-controlling interests	-	509	-	-	-	509
Net profit/(loss) attributable to owners of the parent	(1,506)	(2,766)	(592)	(1)	-	(4,865)
<b>Assets and Liabilities</b>						
Segment assets	43,226	132,721	33,911	875	-	210,733
Segment liabilities	14,042	23,251	11,806	5	-	49,104

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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**

The Covid-19 outbreak and Movement Control Order ("MCO") implemented by the Government has disrupted the Group's operations from 18 March 2020 to 3 May 2020. The Group resumed operation on 4 May 2020 except for construction work which resumed on 27 May 2020.

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

On 26 July 2019, the Company entered into a Share Sale Agreement for a 60% equity investment representing 1,800,000 ordinary shares in Forward Energy Sdn Bhd ("FESB") for a cash consideration of RM6.0 million ("SSA"). 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 smaller scale. The SSA is conditional upon fulfillment of certain conditions including, inter alia, the execution of the relevant agreements with government authorities and third parties.

However, the onslaught of Covid-19 which led to the MCO coupled with the change in the ruling state government had caused further delays to the finalisation of the agreement. The vendors are required to resolve all the outstanding obligations under the SSA by 25 July 2020. As the deadline has lapsed and due to the protracted time line for the completion of the SSA, exacerbated by the MCO which had adversely affected the operations of the Group and consequently its cash flow, the Group may have to re-consider the acquisition of the 60% equity interest and may instead opt for a smaller stake thus giving leeway for other parties to co-invest into FESB. The Group has continuously been engaging with the vendors as well as parties who are in the market to invest in renewable energy business which is in line with the business sustainability.

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

There were no changes in contingent liabilities and contingent assets since 31 March 2020.

### **A14 Outstanding Commitments**

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

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### A15 Related Party Transactions

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

	6 months ended 30.6.2020 RM'000
Rental income received / receivable from related parties	397
Management fee paid/payable to related parties	523
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

	30.6.2020 RM'000	30.6.2019 RM'000	Changes RM'000	%
<b>3 Months Ended</b>				
<b>Revenue</b>				
Property Development	192	2,883	(2,691)	-93%
Manufacturing & Trading	5,837	11,857	(6,020)	-51%
Property & Investment Holding	749	1,598	(849)	-53%
	<u>6,778</u>	<u>16,338</u>	<u>(9,560)</u>	<u>-59%</u>
<b>Profit Before Tax</b>				
Property Development	(8,905)	(33)	(8,872)	-26490%
Manufacturing & Trading	(829)	(49)	(780)	-1598%
Property & Investment Holding and Others	(2,292)	(1,579)	(713)	-45%
	<u>(12,026)</u>	<u>(1,661)</u>	<u>(10,365)</u>	<u>-624%</u>

The Group registered revenue of RM6.8 million and loss before tax of RM12.03 million in the second quarter ended 30 June 2020 as compared to a revenue of RM16.34 million and a loss before tax of RM1.7 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a lower revenue of RM5.84 million in the second quarter ended 30 June 2020 as compared to RM11.86 million in the second quarter 2019 mainly due to the decrease in sales quantities from March 2020 to May 2020 caused by the government's Movement Control Order ("MCO") effective from 18 March 2020 to 3 May 2020.

The property development division recorded a revenue of RM0.2 million in the second quarter 2020, a decrease of RM2.69 million due to MCO and the absence of contribution from the Pinnacle project. As for the property and investment holding division, the revenue was lower at RM0.75 million in second quarter 2020 as compared to RM1.6m in second 2019 mainly due to lower car park income as a result of free parking during MCO and lower rental income after cessation of China operation in December 2019.

The Group recorded a loss before tax of RM12.03 million in the period under review as compared to a RM1.7 million in the second quarter ended 30 June 2019 mainly due to higher operating costs in the quarter under review.

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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 property development division recorded a loss of RM8.91 million in the second quarter 2020 as compared to RM0.03 million in the second quarter 2019 mainly due to the absence of contribution from Pinnacle project and lower contribution projects in Ipoh due to the MCO and higher operating costs.

The Group's manufacturing and trading division recorded a lower loss of RM0.83 million in the second quarter 2020 as compared to RM0.05 million loss in the second quarter 2019 mainly due to lower gross profit margin as a result lower sales quantities and higher fixed costs as a result of the MCO.

The Group's property and investment holding division has recorded a loss of RM2.29 million in the second quarter 2020 as compared to a loss of RM1.58 million in the second quarter 2019 mainly due to lower car park income as a result of free parking during MCO and lower rental income after cessation of China operation in December 2019.

##### For the Six Months Period

6 Months Ended	30.6.2020	30.6.2019	Changes	
	RM'000	RM'000	RM'000	%
<b>Revenue</b>				
Property Development	646	3,183	(2,537)	-80%
Property & Investment Holding and Others	2,143	3,222	(1,079)	-33%
Manufacturing & Trading	16,290	23,910	(7,620)	-32%
	<u>19,079</u>	<u>30,315</u>	<u>(11,236)</u>	<u>-37%</u>
<b>Profit Before Tax</b>				
Property Development	(10,506)	(1,527)	(8,979)	588%
Property & Investment Holding and Others	(1,437)	(3,233)	1,796	-56%
Manufacturing & Trading	(979)	(599)	(380)	-63%
	<u>(12,922)</u>	<u>(5,359)</u>	<u>(7,563)</u>	<u>141%</u>

The Group's revenue of RM19.08 million for the financial period ended 30 June 2020 represents a 37% or RM11.24 million decrease from RM30.32 million in the corresponding period ended 30 June 2019. The property division recorded a decrease of RM2.54 million due the absence of contribution from the Pinnacle Kelana Jaya project. The manufacturing and trading division recorded a decrease in revenue of RM7.62 million as compared to the corresponding period ended 30 June 2019 mainly due to decrease in sales quantities from March 2020 to May 2020 as a result of the MCO.

The property development division recorded a revenue of RM0.65 million in the financial period ended 30 June 2020, mainly contributed by the on-going projects in Ipoh. As for the property and investment holding division, the revenue was 33% lower at RM2.14 million in 2020 due to lower car park income as a result of the MCO, lower rental income as a result of lower occupancy rate and cessation of the China operation in December 2019.

Gross profit margin of the Group was lower at 4.1% for financial period ended 30 June 2020 as compared to 13.1% for the corresponding period ended 30 June 2019 mainly due to lower 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 RM12.92 million for the financial period ended 30 June 2020 as compared to RM5.36 million in the corresponding period ended 30 June 2019. The manufacturing and trading division recorded a higher loss before tax of RM0.98 million as compared to RM0.6 million in the corresponding period ended 30 June 2019 due to lower gross profit margin as a result of 30% decrease in sales quantities and higher fixed production costs. Selling prices decreased by 3.3% in response to a 7.5% decrease in raw materials costs. Gross profit margin decreased by 2.9% for the financial period ended 30 June 2020 as compared to the preceding financial period ended 30 June 2019. A loss of RM10.51 million was recorded by the property division as compared to of RM1.53 million for the financial period ended 30 June 2019. This was mainly due the absence contribution from Pinnacle project and projects in Ipoh and higher operating costs.

In the financial period ended 30 June 2020, the Group's property and investment holding division recorded a loss of RM1.44 million as compared to RM3.23 million in the financial period ended 30 June 2019. The lower loss of RM1.8 million was mainly due to the dividend income of RM2.37 million from the Group's investment in New Zealand.

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

#### Second Quarter 2020 vs First Quarter 2020

	Current Quarter 30.6.2020 RM'000	Immediate Preceding Quarter 31.3.2020 RM'000	Changes	
			RM'000	%
<b>Revenue</b>				
Property Development	192	453	(261)	-58%
Manufacturing & Trading	5,837	10,454	(4,617)	-44%
Property & Investment Holding	749	1,395	(646)	-46%
	<u>6,778</u>	<u>12,302</u>	<u>(5,524)</u>	<u>-45%</u>
<b>Profit Before Tax</b>				
Property Development	(8,905)	(1,333)	(7,572)	-568%
Manufacturing & Trading	(829)	(150)	(679)	-453%
Property & Investment Holding and Others	(2,292)	587	(2,878)	491%
	<u>(12,026)</u>	<u>(896)</u>	<u>(11,130)</u>	<u>-1242%</u>

During the 3 months ended 30 June 2020, the Group's revenue of RM6.78 million represents a decrease of RM5.52 million or 45% from the RM12.3 million revenue recorded in the preceding 3 months ended 30 March 2020. The decrease in revenue was mainly due to lower contribution from the projects in Ipoh. The manufacturing and trading division recorded a lower revenue of RM5.84 million in the second quarter 2020, a decrease of 44% or RM4.62 million as compared with RM10.45 million in the first quarter 2020 as a result of a 43% decrease in sales quantities mainly in April 2020 due to the MCO. As for the property and investment holding division, the revenue was lower at RM0.75 million in the current quarter as compared to RM1.39 million in the preceding quarter due to lower car park income as a result of free parking during MCO and lower rental income after cessation of the China operation in December 2019.

# **SOUTH MALAYSIA INDUSTRIES BERHAD**

Registration No. 196901000152 (8482-D)

(Incorporated in Malaysia)

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

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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 (cont'd)**

#### **Second Quarter 2020 vs First Quarter 2020 (cont'd)**

The Group recorded a loss before tax of RM12.03 million in the second quarter 2020, a higher loss of RM11.13 million as compared to RM0.9 million in the first quarter 2020 mainly due the higher operating costs offset by the RM2.37 million dividend income from the Group's investment in New Zealand in the quarter under review.

The property development division recorded a higher loss of RM8.91 million in the second quarter 2020 as compared to RM1.6 million in the first quarter 2020 mainly due the higher operating costs in the period under review.

The Group's manufacturing and trading division recorded a higher loss of RM0.83 million in the second quarter 2020 as compared to RM0.15 million loss in the first quarter 2020 mainly due a 10.17% decrease in gross margin resulting from a 43% decrease in sales quantities and higher fixed production costs during the MCO.

The Group's property and investment holding division recorded a loss of RM2.29 million in the second quarter 2020 as compared to a profit of RM0.86 million in the first quarter 2020 mainly due to the absence of the dividend income from the Group's investment in New Zealand, lower car park income and higher operating expenses.

### **B3 Commentary on Prospects**

Covid-19 is an unfavourable factor affecting 2020 globally. Bank Negara Malaysia has revised the GDP downwards to project a contraction of growth at between -2.0% to 0.5% in 2020 accounting for the after effect of the pandemic. GDP growth was 4.3% in 2019. Unemployment rate jumped to a high of 5% in April 2020 as a result of the MCO. As further job losses are expected when businesses consolidate, cut losses on not profitable units, downsize or wind down, consumer spending will be impacted. The uncertainty will have a significant impact on the manufacturing and property sectors. The property glut situation is expected to worsen in 2020. The Group will remain cautious and focus on selling the unsold units of the Pinnacle Kelana Jaya project and the continuation of its existing projects in Ipoh in 2020.

As for the manufacturing division, demand for galvanized wires is expected to remain sluggish in 2020. The manufacturing division will strive to minimise losses in 2020.

The investment holding division's rental income was impacted by MCO with tenants faced with curtailment of operations and rental discounts granted. As such, results for this division is not expected to improve by the end of 2020.

Faced with the current uncertainties and unfavourable market conditions, the Group's result in 2020 is expected to remain stagnant.

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

Not applicable.

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## NOTES TO THE INTERIM FINANCIAL REPORT

<b>B5 Taxation</b>	<b>3 months</b>	<b>6 months</b>
	<b>Ended</b>	<b>Ended</b>
	<b>30.6.2020</b>	<b>30.6.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Taxation based on the results for the period:		
Malaysian taxation	0	3
Overseas taxation	23	35
Transfer to/(from) deferred taxation	(47)	(42)
	<u>(24)</u>	<u>(4)</u>
Under/(Over) provision of taxation in respect of prior year	-	-
	<u>(24)</u>	<u>(4)</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 June 2020.

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## NOTES TO THE INTERIM FINANCIAL REPORT

### B7 Group Borrowings

	As at 30.6.2020 RM'000	As at 30.6.2019 RM'000
<b>Current</b>		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	107	138
- Bankers' acceptance (floating interest rate)	7,856	8,805
- Term loan (floating interest rate)	2,006	1,943
	<u>9,968</u>	<u>10,886</u>
<b>Non-current</b>		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	10	103
- Term loan (floating interest rate)	11,471	12,270
	<u>11,481</u>	<u>12,373</u>
<b>Borrowings maturity:</b>		
Less than one year	9,968	10,886
Later than one year and not later than two years	2,558	3,224
Later than two years and not later than five years	7,804	7,078
Later than five years	1,119	2,071
	<u>21,449</u>	<u>23,259</u>
 The weighted average effective rates per annum are as follows:		
- Finance lease liabilities	3.72%	3.80%
- Bankers' acceptance	5.34%	6.02%
- Term loan	<u>5.43%</u>	<u>6.23%</u>
 The proportion of debts are as follows:		
- Fixed interest rate	0.5%	1.0%
- Floating interest rate	<u>99.5%</u>	<u>99.0%</u>

### B8 Derivative Financial Instruments

There were no derivative financial instruments as at financial period ended 30 June 2020.

### B9 Material Litigation

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

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## INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2020

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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 30 June 2020.

#### 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	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
(a) Other income including investment income	(611)	(156)	(3,161)	(277)
(b) Depreciation and amortisation	661	548	1,280	1,111
(c) Provision for and write-off/(write-back) of receivables	9	(52)	(32)	(75)
(d) Loss/(Gain) on disposal of quoted investments	(22)	(0)	(22)	(3)
(e) Foreign exchange loss/(gain)	(6)	24	20	32
(f) Loss/(gain) on derivatives	(184)	-	(184)	-
(g) Fair value adjustment of investment properties	-	332	129	670

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 30 June 2020.

#### B12 Earnings per Share

	3 Months Ended		6 Months Ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
<b>(a) Basic Earnings per Share</b>				
Net profit/(loss) attributable to owners of the parent	(11,535)	(1,410)	(12,283)	(4,865)
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	(5.49)	(0.67)	(5.85)	(2.32)

#### (b) Diluted Earnings per Share

There is no dilutive event as at 30 June 2020 and 30 June 2019. 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 August 2020