

SOUTH MALAYSIA INDUSTRIES BERHAD

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

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

	3 Months Ended		9 Months Ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Revenue	16,686	19,327	35,765	49,642
Operating Expenses	(17,894)	(18,246)	(52,644)	(52,798)
Other Expenses	(41)	(540)	(320)	(1,727)
Interest Income	6	219	167	578
Other Operating Income	762	381	4,161	736
Profit/(Loss) from Operations	(481)	1,141	(12,871)	(3,569)
Finance Costs	(239)	(294)	(771)	(943)
Profit/(Loss) before tax	(720)	847	(13,642)	(4,512)
Tax	(9)	(968)	(5)	(984)
Net profit/(loss) for the period	(729)	(121)	(13,647)	(5,496)
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange translation difference of foreign operations	182	(916)	(210)	(888)
- Financial assets at fair value through other comprehensive income	919	(749)	(1,015)	314
Other comprehensive income for the period, net of tax	1,101	(1,665)	(1,225)	(574)
Total comprehensive income for the period	372	(1,786)	(14,872)	(6,070)
Profit/(Loss) attributable to:				
Owners of the parent	(731)	126	(13,014)	(4,740)
Non-controlling interests	2	(247)	(633)	(756)
	(729)	(121)	(13,647)	(5,496)
Total comprehensive income attributable to:				
Owners of the parent	(359)	(1,228)	(14,197)	(4,948)
Non-controlling interests	731	(558)	(675)	(1,122)
	372	(1,786)	(14,872)	(6,070)
Earnings/(Loss) per share attributable to				
Owners of the parent:				
Basic/Diluted (sen)	(0.35)	0.06	(6.20)	(2.26)

(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 THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

Condensed Consolidated Statement of Financial Position

	As at 30.9.2020 RM'000	As at 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	8,692	9,016
Right-to-use assets	4,618	5,062
Investment properties	85,089	85,218
Inventories	8,768	8,522
Other investments	23,434	24,523
Trade and other receivables	728	728
	131,329	133,069
Current assets		
Inventories	26,522	17,233
Trade and other receivables	22,046	34,828
Other investments	3,913	4,004
Cash and cash equivalents	6,822	14,147
	59,303	70,212
TOTAL ASSETS	190,632	203,281
EQUITY		
Capital and reserves attributable to the Owners of the parent		
Share capital	244,239	244,239
Reserves	18,562	19,745
Accumulated losses	(107,678)	(94,664)
Shareholders' equity	155,123	169,320
Non-controlling interests	(12,122)	(11,447)
TOTAL EQUITY	143,001	157,873
LIABILITIES		
Non-current liabilities		
Loans and borrowings	10,885	11,228
Deferred tax liabilities	907	943
	11,792	12,171
Current liabilities		
Trade and other payables	20,485	21,627
Loans and borrowings	15,354	11,423
Tax payable	0	187
	35,839	33,237
TOTAL LIABILITIES	47,631	45,408
TOTAL EQUITY AND LIABILITIES	190,632	203,281
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 THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

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
9 months Ended 30.9.2020								
At 1.1.2020	244,239	18,287	1,168	290	(94,664)	169,320	(11,447)	157,873
Profit/(Loss) for the period	-	-	-	-	(13,014)	(13,014)	(633)	(13,647)
Other comprehensive income	-	(168)	-	(1,015)	-	(1,183)	(42)	(1,225)
Total comprehensive income for period	-	(168)	-	(1,015)	(13,014)	(14,197)	(675)	(14,872)
At 30.9.2020	244,239	18,119	1,168	(725)	(107,678)	155,123	(12,122)	143,001
9 months Ended 30.9.2019								
At 1.1.2019	244,239	18,227	1,168	(483)	(86,984)	176,167	(10,255)	165,912
Profit/(Loss) for the period	-	-	-	-	(4,740)	(4,740)	(756)	(5,496)
Other comprehensive income	-	(522)	-	314	-	(208)	(366)	(574)
Total comprehensive income for the period	-	(522)	-	314	(4,740)	(4,948)	(1,122)	(6,070)
At 30.9.2019	244,239	17,705	1,168	(169)	(91,724)	171,219	(11,377)	159,842

(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 THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

Consolidated Statement of Cash Flows

	9 Months Ended 30.9.2020 RM'000	9 Months Ended 30.9.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	(13,642)	(4,512)
Adjustments for:		
Depreciation & amortisation	1,993	1,657
Other non-cash items	(432)	1,036
Dividend Income	(2,450)	(21)
Finance costs	771	943
Interest income	(167)	(578)
Operating profit/(loss) before working capital changes	<u>(13,927)</u>	<u>(1,475)</u>
Change in working capital:		
Property development cost	(1,731)	(975)
Inventories	(7,558)	389
Trade and other receivables	12,926	13,897
Trade and other payables	(1,328)	(2,724)
Cash generated from/(used in) operations	<u>(11,618)</u>	<u>9,112</u>
Interest paid	(771)	(964)
Tax paid	(258)	(66)
Net cash from/(used in) operating activities	<u>(12,647)</u>	<u>8,082</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	169	603
Expenditure on land held for property development	(248)	(249)
Additions to investment properties	-	(926)
Proceeds from disposal of financial assets at fair value through profit or loss	5,852	3,673
Purchase of financial assets at fair value through profit or loss	(5,280)	(3,670)
Purchase of property, plant and equipment	(1,218)	(378)
Purchase of right-of-use assets	(7)	-
Proceeds from disposal of property, plant and equipment	12	56
Net dividend received	2,450	21
Net cash from/(used in) investing activities	<u>1,731</u>	<u>(870)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings, net drawdown/(repayment)	3,665	(1,490)
Repayments of finance lease liabilities	(77)	(101)
Net cash from/(used in) financing activities	<u>3,588</u>	<u>(1,591)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	(7,328)	5,621
Effects of exchange rate changes on cash and cash equivalents	3	(32)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>14,147</u>	<u>16,886</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>6,822</u>	<u>22,475</u>

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

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 beginning on or after
Amendments to MFRS 16	Covid-19 - Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 & MFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
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
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
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.

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NOTES TO THE INTERIM FINANCIAL REPORT

A2 Auditors Report of the Previous Audited Financial Statements

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

A3 Seasonality or Cyclicity of Interim Operations

The Group's operations were not significantly affected by any seasonal or cyclical factors.

A4 Unusual Items Affecting the Financial Statements

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 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 accordingly 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 September 2020.

A7 Dividends Paid

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

9 months ended 30.9.2020	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	3,137	3,322	29,306	-	-	35,765
Intersegment revenue	-	2,125	-	-	(2,125)	-
	3,137	5,447	29,306	-	(2,125)	35,765
Segment Results						
Profit/(Loss) from operations	(10,383)	(1,273)	263	(1)	-	(11,394)
Interest Income	4	162	1	-	-	167
Finance costs	(21)	(475)	(275)	-	-	(771)
Depreciation & amortisation	(142)	(542)	(960)	-	-	(1,644)
Profit/(Loss) before tax	(10,542)	(2,128)	(971)	(1)	-	(13,642)
Taxation	(4)	(9)	8	-	-	(5)
Profit/(Loss) from ordinary activities after tax	(10,546)	(2,137)	(963)	(1)	-	(13,647)
Non-controlling interests	-	633	-	-	-	633
Net profit/(loss) attributable to owners of the parent	(10,546)	(1,504)	(963)	(1)	-	(13,014)
Assets and Liabilities						
Segment assets	35,285	123,552	30,917	878	-	190,632
Segment liabilities	9,875	27,041	10,712	3	-	47,631
9 months ended 30.9.2019						
	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	9,366	4,771	35,505	-	-	49,642
Intersegment revenue	-	1,167	-	-	(1,167)	-
	9,366	5,938	35,505	-	(1,167)	49,642
Segment Results						
Profit/(Loss) from operations	1,301	(4,466)	678	(3)	-	(2,490)
Interest Income	333	244	1	-	-	578
Finance costs	(1)	(508)	(434)	-	-	(943)
Depreciation & amortisation	(151)	(254)	(1,252)	-	-	(1,657)
Profit/(Loss) before tax	1,482	(4,984)	(1,007)	(3)	-	(4,512)
Taxation	(946)	(48)	10	-	-	(984)
Profit/(Loss) from ordinary activities after tax	536	(5,032)	(997)	(3)	-	(5,496)
Non-controlling interests	-	756	-	-	-	756
Net profit/(loss) attributable to owners of the parent	536	(4,276)	(997)	(3)	-	(4,740)
Assets and Liabilities						
Segment assets	42,471	128,867	33,576	874	-	205,788
Segment liabilities	11,375	22,665	11,905	1	-	45,946

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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. Measures taken to contain the Covid-19 virus have significantly affected the economic activity in general. This is expected to impact, though not significant the Group's financial results in 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 30 June 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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A15 Related Party Transactions

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

	9 months ended 30.9.2020 RM'000
Rental income received / receivable from related parties	596
Management fee paid/payable to related parties	773
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

3 Months Ended	30.9.2020	30.9.2019	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
Property Development	2,491	6,183	(3,692)	-60%
Manufacturing & Trading	13,016	11,595	1,421	12%
Property & Investment Holding	1,179	1,549	(370)	-24%
	<u>16,686</u>	<u>19,327</u>	<u>(2,641)</u>	<u>-14%</u>
Profit Before Tax				
Property Development	(35)	3,010	(3,045)	101%
Manufacturing & Trading	7	(407)	414	102%
Property & Investment Holding and Others	(692)	(1,756)	1,064	61%
	<u>(720)</u>	<u>847</u>	<u>(1,567)</u>	<u>185%</u>

The Group registered revenue of RM16.69 million and loss before tax of RM0.72 million in the third quarter ended 30 September 2020 as compared to a revenue of RM19.33 million and a profit before tax of RM0.85 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a higher revenue of RM13.02 million in the third quarter ended 30 September 2020 as compared to RM11.6 million in the third quarter 2019 mainly due to the surge in sales quantities from July 2020 to September 2020 post the government's Movement Control Order ("MCO") imposed from 18 March 2020 to 3 May 2020.

The property development division recorded a revenue of RM2.49 million in the third quarter 2020, a decrease of RM3.69 million due to impact of Covid-19 pandemic. As for the property and investment holding division, the revenue was lower at RM1.18 million in third quarter 2020 as compared to RM1.55m in third 2019 mainly due to lower car park income as a result of Covid-19 pandemic and lower rental income after cessation of China operation in December 2019.

The Group recorded a loss before tax of RM0.72 million in the period under review as compared to a profit RM0.85 million in the third quarter ended 30 September 2019 mainly due to lower revenue and higher operating costs in the quarter under review.

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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 RM0.04 million in the third quarter 2020 as compared to a profit of RM3.01 million in the third quarter 2019 mainly due to lower contribution projects in Ipoh due to the impact of Covid-19 offset by lower operating costs.

The Group's manufacturing and trading division recorded a profit of RM7k in the third quarter 2020 as compared to RM0.41 million loss in the third quarter 2019 mainly due to higher gross profit margin as a result higher sales quantities and lower fixed costs.

The Group's property and investment holding division has recorded a loss of RM0.69 million in the third quarter 2020 as compared to a loss of RM1.76 million in the third quarter 2019 mainly due to lower car park income due to free parking during MCO and lower rental income after cessation of China operation in December 2019.

For the Nine Months Period

9 Months Ended	30.9.2020	30.9.2019	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
Property Development	3,137	9,366	(6,229)	-67%
Property & Investment Holding and Others	3,322	4,771	(1,449)	-30%
Manufacturing & Trading	29,306	35,505	(6,199)	-17%
	<u>35,765</u>	<u>49,642</u>	<u>(13,877)</u>	<u>-28%</u>
Profit Before Tax				
Property Development	(10,542)	1,483	(12,025)	-811%
Property & Investment Holding and Others	(2,129)	(4,989)	2,860	-57%
Manufacturing & Trading	(971)	(1,006)	35	3%
	<u>(13,642)</u>	<u>(4,512)</u>	<u>(9,130)</u>	<u>202%</u>

The Group's revenue of RM35.77 million for the financial period ended 30 September 2020 represents a 28% or RM13.88 million decrease from RM49.64 million in the corresponding period ended 30 September 2019. The property division recorded a decrease of RM6.23 million due the absence of contribution from the Pinnacle Kelana Jaya project and the lower contribution from the on-going projects in Ipoh. The manufacturing and trading division recorded a decrease in revenue of RM6.2 million as compared to the corresponding period ended 30 September 2019 mainly due to decrease in sales quantities from March 2020 to May 2020 as a result of the MCO. As for the property and investment holding division, the revenue was 30% lower at RM3.3 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 7.5% for financial period ended 30 September 2020 as compared to 18.6% for the corresponding period ended 30 June 2019 mainly due to lower margin of the manufacturing and trading division .

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

For the Nine Months Period (cont'd)

The Group recorded a loss before tax of RM13.64 million for the financial period ended 30 September 2020 as compared to RM4.51 million in the corresponding period ended 30 September 2019. A loss of RM10.54 million was recorded by the property division as compared to a profit of RM1.48 million for the financial period ended 30 September 2019. This was mainly due the absence of contribution from Pinnacle project and completed projects in Ipoh and higher operating costs. The manufacturing and trading division recorded a lower loss before tax of RM0.97 million as compared to RM1.01 million in the corresponding period ended 30 September 2019 as a result of lower operating expenses.

In the financial period ended 30 Septemebr 2020, the Group's property and investment holding division recorded a loss of RM2.13 million as compared to RM4.99 million in the financial period ended 30 September 2019. The lower loss of RM2.86 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

Third Quarter 2020 vs Second Quarter 2020

	Current	Immediate	Changes	
	Quarter	Preceding		
	30.9.2020	30.6.2020	RM'000	%
	RM'000	RM'000		
Revenue				
Property Development	2,491	192	2,299	1196%
Manufacturing & Trading	13,016	5,836	7,180	123%
Property & Investment Holding	1,179	749	430	57%
	<u>16,686</u>	<u>6,777</u>	<u>9,909</u>	<u>146%</u>
Profit Before Tax				
Property Development	(35)	(8,905)	8,870	100%
Manufacturing & Trading	7	(829)	836	101%
Property & Investment Holding and Others	(692)	(2,292)	1,600	70%
	<u>(720)</u>	<u>(12,026)</u>	<u>11,306</u>	<u>94%</u>

During the 3 months ended 30 September 2020, the Group's revenue of RM16.69 million represents an increase of RM9.91 million or 146% from the RM6.78 million revenue recorded in the preceding 3 months ended 30 June 2020. Property division recorded a higher revenue of RM2.49m in the current quarter as compared to RM0.2m in the second quarter 2020 mainly due to the sales secured from on-going projects in Ipoh as a result of the Home Ownership Campaign stamp duty exemption for purchase of residential homes. The manufacturing and trading division recorded a lower revenue of RM5.84 million in the second quarter 2020, as compared with RM13.02 million in the third quarter 2020 as a result of a 55% decrease in sales quantities mainly during the MCO (from 18.3.2020 to 3.5.2020).

As for the property and investment holding division, the revenue was higher at RM1.18 million in the current quarter as compared to RM0.75 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.

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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)

Third Quarter 2020 vs Second Quarter 2020 (cont'd)

The Group recorded a loss before tax of RM0.72 million in the third quarter 2020, a lower loss of RM11.31 million as compared to RM12.03 million in the second quarter 2020 mainly due the higher revenue and lower operating costs in the quarter under review.

The property development division recorded a lower loss of RM0.04 million in the third quarter 2020 as compared to RM8.9 million in the second quarter 2020 mainly due to the higher revenue and lower operating costs in the period under review.

The Group's manufacturing and trading division recorded a profit of RM0.01 million in the third quarter 2020 as compared to a loss RM0.83 million loss in the second quarter 2020 mainly due a 9.1% increase in gross margin resulting from a 125% increase in sales quantities and lower fixed production costs post MCO.

The Group's property and investment holding division recorded a loss of RM0.69 million in the third quarter 2020 as compared to a profit of RM12.03 million in the second quarter 2020 mainly due to the higher car park income and lower operating expenses.

B3 Commentary on Prospects

Covid-19 is an unfavourable factor affecting the 2020 world economy in general. In Malaysia, 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 remained high at 4.5% in August 2020 as a result of the Covid-19 pandemic. 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 not expected to improve by end of 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 by the end of 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 not expected to improve.

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

Not applicable.

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B5 Taxation	3 months	9 months
	Ended	Ended
	30.9.2020	30.9.2020
	RM'000	RM'000
Taxation based on the results for the period:		
Malaysian taxation	1	4
Overseas taxation	(0)	35
Transfer to/(from) deferred taxation	6	(36)
	<u>7</u>	<u>3</u>
Under/(Over) provision of taxation in respect of prior year	2	2
	<u>9</u>	<u>5</u>

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

B6 Status of Corporate Proposals

No corporate proposal was undertaken by the Group in the financial period ended 30 September 2020.

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B7 Group Borrowings

	As at 30.9.2020 RM'000	As at 30.9.2019 RM'000
Current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	96	122
- Bankers' acceptance (floating interest rate)	8,527	8,326
- Term loan (floating interest rate)	2,531	2,975
- Revolving credit (floating interest rate)	4,200	-
	<u>15,354</u>	<u>11,423</u>
Non-current		
Secured (RM denominated):-		
- Finance lease liabilities (fixed interest rate)	-	51
- Term loan (floating interest rate)	10,885	11,177
	<u>10,885</u>	<u>11,228</u>
Borrowings maturity:		
Less than one year	15,354	11,423
Later than one year and not later than two years	2,572	3,210
Later than two years and not later than five years	7,358	6,887
Later than five years	955	1,131
	<u>26,239</u>	<u>22,651</u>
 The weighted average effective rates per annum are as follows:		
- Finance lease liabilities	3.78%	3.74%
- Bankers' acceptance	5.15%	5.84%
- Term loan	5.23%	5.98%
 The proportion of debts are as follows:		
- Fixed interest rate	0.4%	0.8%
- Floating interest rate	99.6%	99.2%
- Revolving credit	4.6%	-

B8 Derivative Financial Instruments

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

B9 Material Litigation

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

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B10 Dividends

The Directors do not recommend any payment of dividend for the financial period ended 30 September 2020.

B11 Profit/(Loss) From Operations

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

	3 Months Ended		9 Months Ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
(a) Other income including investment income	(366)	(394)	(3,710)	(671)
(b) Depreciation and amortisation	713	546	1,993	1,657
(c) Provision for and write-off/(write-back) of receivables	(36)	13	(68)	(62)
(d) Loss/(Gain) on disposal of quoted investments	(361)	(0)	(383)	(3)
(e) Foreign exchange loss/(gain)	4	14	24	46
(f) Fair value adjustment of investment properties	-	320	129	991

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 September 2020.

B12 Earnings per Share

	3 Months Ended		9 Months Ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
(a) Basic Earnings per Share				
Net profit/(loss) attributable to owners of the parent	(731)	126	(13,014)	(4,740)
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	(0.35)	0.06	(6.20)	(2.26)

(b) Diluted Earnings per Share

There is no dilutive event as at 30 September 2020 and 30 September 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: 25 November 2020