

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 2021**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	3 Months Ended		9 Months Ended	
	30.9.2021	30.9.2020 (Restated)	30.9.2021	30.9.2020 (Restated)
	RM'000	RM'000	RM'000	RM'000
Revenue	8,821	16,686	34,973	35,595
Operating Expenses	(10,535)	(17,883)	(38,625)	(52,633)
Other Expenses	3	(41)	(366)	(191)
Interest Income	17	6	151	167
Other Operating Income	999	762	4,138	4,202
Profit/(Loss) from Operations	(695)	(470)	271	(12,860)
Finance Costs	(177)	(285)	(728)	(907)
Profit/(Loss) before tax	(872)	(755)	(457)	(13,767)
Tax	(171)	(9)	(417)	(5)
Net profit/(loss) for the period	(1,043)	(764)	(874)	(13,772)
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss				
- Exchange translation difference of foreign operations	-	182	(1)	(210)
- Financial assets at fair value through other comprehensive income	(929)	919	(5)	(1,015)
Other comprehensive income for the period, net of tax	(929)	1,101	(6)	(1,225)
Total comprehensive income for the period	(1,971)	337	(880)	(14,997)
Profit/(Loss) attributable to:				
Owners of the parent	(1,043)	(766)	(874)	(13,139)
Non-controlling interests	-	2	-	(633)
	(1,043)	(764)	(874)	(13,772)
Total comprehensive income attributable to:				
Owners of the parent	(1,971)	(394)	(880)	(14,322)
Non-controlling interests	-	731	-	(675)
	(1,971)	337	(880)	(14,997)
Earnings/(Loss) per share attributable to				
Owners of the parent:				
Basic/Diluted (sen)	(0.50)	(0.36)	(0.42)	(6.26)

(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 2020.)

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

Condensed Consolidated Statement of Financial Position

	As at 30.9.2021	As at 31.12.2020 (Restated)	As at 1.1.2020 (Restated)
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	7,588	8,363	9,016
Right-of-use assets	4,119	4,547	5,062
Investment properties	97,289	96,876	85,218
Inventories	6,742	8,427	8,219
Other investments	25,201	25,876	24,523
Trade and other receivables	-	-	728
	140,939	144,089	132,766
Current assets			
Inventories	13,377	16,770	17,011
Trade and other receivables	13,965	20,635	34,603
Tax recoverable	56	99	272
Other investments	6,121	2,975	4,004
Deposits, bank and cash balances	7,046	5,877	14,356
	40,565	46,356	70,246
TOTAL ASSETS	181,504	190,445	203,012
EQUITY			
Capital and reserves attributable to the Owners of the parent			
Share capital	244,239	244,239	244,239
Reserves	6,099	6,105	19,745
Accumulated losses	(99,942)	(99,068)	(95,188)
Shareholders' equity	150,396	151,276	168,796
Non-controlling interests	-	-	(11,447)
TOTAL EQUITY	150,396	151,276	157,349
LIABILITIES			
Non-current liabilities			
Loans and borrowings	8,350	10,689	11,228
Deferred tax liabilities	1,154	995	943
	9,504	11,684	12,171
Current liabilities			
Trade and other payables	9,118	11,265	21,673
Loans and borrowings	12,486	16,216	11,632
Tax payable	0	4	187
	21,604	27,485	33,492
TOTAL LIABILITIES	31,108	39,169	45,663
TOTAL EQUITY AND LIABILITIES	181,504	190,445	203,012
Net assets per share (RM) attributable to Owners of the Parent	0.72	0.72	0.80

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020.)

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

Condensed Consolidated Statement of Changes in Equity

	Attributable to Owners of the Parent					Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Foreign Exchange Reserve RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	Accumulated Losses RM'000			
9 months Ended 30 September 2021								
At 31 December 2020, as previously reported	244,239	3,170	1,168	1,767	(98,402)	151,942	-	151,942
Effect on adoption of MFRS 123	-	-	-	-	(666)	(666)	-	(666)
At 1 January, 2021, as restated	244,239	3,170	1,168	1,767	(99,068)	151,276	-	151,276
Profit/(Loss) for the period	-	-	-	-	(874)	(874)	-	(874)
Other comprehensive income/(loss) for the period	-	(1)	-	(5)	-	(7)	-	(7)
Total comprehensive income/(loss) for period	-	(1)	-	(5)	(874)	(880)	-	(880)
At 30 September 2021	244,239	3,169	1,168	1,762	(99,942)	150,396	-	150,396
9 months Ended 30 September 2020								
At 31 December 2019	244,239	18,287	1,168	290	(94,664)	169,320	(11,447)	157,873
Effect on adoption of MFRS 123	-	-	-	-	(524)	(524)	-	(524)
At 1 January, 2020, as restated	244,239	18,287	1,168	290	(95,188)	168,796	(11,447)	157,349
Profit/(Loss) for the period	-	-	-	-	(13,139)	(13,139)	(633)	(13,772)
Other comprehensive income/(loss) for the period	-	(168)	-	(1,015)	-	(1,183)	(42)	(1,225)
Total comprehensive income/(loss) for the period	-	(168)	-	(1,015)	(13,139)	(14,322)	(675)	(14,997)
At 30.9.2020	244,239	18,119	1,168	(725)	(108,327)	154,474	(12,122)	142,352

(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 2020.)

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

Consolidated Statement of Cash Flows

	9 Months Ended 30.9.2021 RM'000	9 Months Ended 30.9.2020 (Restated) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	(457)	(13,767)
Adjustments for:		
Depreciation & amortisation	1,927	1,993
Other non-cash items	(653)	(432)
Dividend Income	(2,670)	(2,450)
Finance costs	728	907
Interest income	(151)	(167)
Operating profit/(loss) before working capital changes	<u>(1,276)</u>	<u>(13,916)</u>
Change in working capital:		
Inventories	5,078	(9,299)
Trade and other receivables	7,448	12,926
Trade and other payables	(2,140)	(1,328)
Cash generated from/(used in) operations	<u>9,110</u>	<u>(11,617)</u>
Interest paid	(737)	(771)
Tax paid	(219)	(258)
Net cash from/(used in) operating activities	<u>8,154</u>	<u>(12,646)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	152	169
Acquisition of land for property development	-	-
Additions to investment properties	(413)	(248)
Proceeds from disposal of financial assets at fair value through profit or loss	4,219	5,852
Proceeds from disposal of financial assets at fair value through other comprehensive income	529	-
Purchase of financial assets at fair value through profit or loss	(7,350)	(5,280)
Purchase of property, plant and equipment	(402)	(1,218)
Purchase of right-of-use assets	-	(7)
Proceeds from disposal of property, plant and equipment	-	12
Net dividend received	2,670	2,450
Net cash from/(used in) investing activities	<u>(595)</u>	<u>1,730</u>

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Consolidated Statement of Cash Flows

	9 Months Ended 30.9.2021 RM'000	9 Months Ended 30.9.2020 (Restated) RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings, net drawdown/(repayment)	(4,080)	3,665
Repayment of lease liabilities	(85)	(77)
Net cash from/(used in) financing activities	<u>(4,165)</u>	<u>3,588</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	3,394	(7,328)
Effects of exchange translation differences on cash and cash equivalents	-	3
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>3,652</u>	<u>14,147</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>7,046</u></u>	<u><u>6,822</u></u>
Cash and Cash Equivalents at the end of the financial period comprises:		
Deposits, bank and cash balances	7,046	6,822
Bank overdrafts	-	-
	<u><u>7,046</u></u>	<u><u>6,822</u></u>

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

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 2020. 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 2020.

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 2020, except for the adoption of the following Malaysian Financing Reporting Standards ("MFRS"), amendments to MFRS and Issues Committee ("IC") Interpretation which are effective for the financial period beginning on or after 1 January 2021:

Amendment to MFRS 16	COVID-19 - Related Rent Concessions
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 & MFRS 16	Interest Rate Benchmark Reform - Phase 2

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.

IFRIC Agenda Decision on MFRS 123 Borrowing Costs

On 18 December 2018, the Malaysian Accounting Standards Board ("MASB") has issued for public comment six Tentative Agenda Decisions ("TAD") published by the IFRS Interpretations Committee, including the TAD on International Accounting Standards 23 *Borrowing Costs* ("IAS 23") relating to over time transfer of constructed good.

The MASB observed that non-private entities in the real estate industry might need to change their accounting policy as a result of the Agenda Decision on IAS 23. In ensuring consistent application of the MFRSs, which are word for-word the IFRS Standards, the MASB has decided that an entity shall apply the change in accounting policy as a result of the Agenda Decision on IAS 23 to financial statements on annual periods beginning on or after 1 July 2020.

The effect on the adoption of MFRS 123 of the Group's Financial Statements is described below:

<i>Consolidated Statement of Financial Position</i>	As previously reported RM'000	Effect on adoption of MFRS 123 RM'000	Restated under MFRS 123 RM'000
<u>At 1 January 2020</u>			
Accumulated losses	(94,664)	(524)	(95,188)
Inventories	25,754	(524)	25,230
<u>At 30 September 2020</u>			
Accumulated losses	(107,678)	(649)	(108,327)
Inventories	35,290	(649)	34,641

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NOTES TO THE INTERIM FINANCIAL REPORT

A1 Accounting Policies (continued)

<i>Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flow</i>	As previously reported RM'000	Effect on adoption of MFRS 123 RM'000	Restated under MFRS 123 RM'000
<u>At 30 September 2020</u>			
Operating expenses	52,644	(11)	52,633
Finance costs	771	136	907

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
Amendment to MFRS 16	COVID-19 - Related Rent Concessions beyond 30 June 2021	1 April 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 MFRS 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 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	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.

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

Besides the current COVID-19 pandemic, 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.

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NOTES TO THE INTERIM FINANCIAL REPORT

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 2021.

A7 Dividends Paid

No dividend has been paid during the financial period ended 30 September 2021.

A8 Segment Reporting

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

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

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

9 months ended 30.9.2021	Property	Property & Investment	Manufacturing	Others	Elimination	Total
	Development	Holding	& Trading			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment Revenue						
External revenue	7,686	4,358	22,929	-	-	34,973
Intersegment revenue	-	976	-	-	(976)	-
	<u>7,686</u>	<u>5,334</u>	<u>22,929</u>	<u>-</u>	<u>(976)</u>	<u>34,973</u>
Segment Results						
Profit/(Loss) from operations	(828)	1,833	1,043	(1)	-	2,047
Interest Income	18	132	1	-	-	151
Finance costs	(79)	(486)	(163)	-	-	(728)
Depreciation & amortisation	(49)	(578)	(1,300)	-	-	(1,927)
Profit/(Loss) before tax	<u>(938)</u>	<u>901</u>	<u>(419)</u>	<u>(1)</u>	<u>-</u>	<u>(457)</u>
Taxation	(257)	(168)	8	-	-	(417)
Profit/(Loss) from ordinary activities after tax	<u>(1,195)</u>	<u>733</u>	<u>(411)</u>	<u>(1)</u>	<u>-</u>	<u>(874)</u>
Non-controlling interests	-	-	-	-	-	-
Net profit/(loss) attributable to owners of the parent	<u>(1,195)</u>	<u>733</u>	<u>(411)</u>	<u>(1)</u>	<u>-</u>	<u>(874)</u>
Assets and Liabilities						
Segment assets	24,679	128,115	27,833	877	-	181,504
Segment liabilities	<u>7,052</u>	<u>15,900</u>	<u>8,155</u>	<u>1</u>	<u>-</u>	<u>31,108</u>

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NOTES TO THE INTERIM FINANCIAL REPORT

A8 Segment Reporting (cont'd)

9 months ended 30.9.2020	Property &			Others RM'000	Elimination RM'000	Total RM'000
	Property Development RM'000	Investment Holding RM'000	Manufacturing & Trading RM'000			
Segment Revenue						
External revenue	3,137	3,152	29,306	-	-	35,595
Intersegment revenue	-	2,125	-	-	(2,125)	-
	<u>3,137</u>	<u>5,277</u>	<u>29,306</u>	<u>-</u>	<u>(2,125)</u>	<u>35,595</u>
Segment Results						
Profit/(Loss) from operations	(10,374)	(1,272)	613	(1)	-	(11,034)
Interest Income	4	162	1	-	-	167
Finance costs	(157)	(475)	(275)	-	-	(907)
Depreciation & amortisation	(140)	(542)	(1,311)	-	-	(1,993)
Profit/(Loss) before tax	<u>(10,667)</u>	<u>(2,127)</u>	<u>(972)</u>	<u>(1)</u>	<u>-</u>	<u>(13,767)</u>
Taxation	(4)	(9)	8	-	-	(5)
Profit/(Loss) from ordinary activities after tax	<u>(10,671)</u>	<u>(2,136)</u>	<u>(964)</u>	<u>(1)</u>	<u>-</u>	<u>(13,772)</u>
Non-controlling interests	-	633	-	-	-	633
Net profit/(loss) attributable to owners of the parent	<u>(10,671)</u>	<u>(1,503)</u>	<u>(964)</u>	<u>(1)</u>	<u>-</u>	<u>(13,139)</u>
Assets and Liabilities						
Segment assets	34,636	123,552	30,917	878	-	189,983
Segment liabilities	<u>9,875</u>	<u>27,041</u>	<u>10,712</u>	<u>3</u>	<u>-</u>	<u>47,631</u>

A10 Valuation of Property, Plant & Equipment

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

A11 Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the current financial period ended 30 September 2021 up to the date of this report.

A12 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial period ended 30 September 2021.

A13 Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities and contingent assets since 30 June 2021.

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NOTES TO THE INTERIM FINANCIAL REPORT

A14 Outstanding Commitments

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

A15 Related Party Transactions

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

	6 months ended 30.9.2021 RM'000
Rental income received / receivable from related parties	653
Management fee paid/payable to related parties	690
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

	30.9.2021 RM'000	30.9.2020 (Restated) RM'000	Changes	
			RM'000	%
3 Months Ended				
<u>Revenue</u>				
Property Development	2,176	2,491	(315)	-13%
Manufacturing & Trading	5,226	13,016	(7,789)	-60%
Property & Investment Holding	1,418	1,179	240	20%
	<u>8,821</u>	<u>16,686</u>	<u>(7,865)</u>	<u>-47%</u>
<u>Profit Before Tax</u>				
Property Development	(477)	(70)	(407)	-578%
Manufacturing & Trading	(268)	7	(275)	3829%
Property & Investment Holding and Others	(127)	(692)	565	82%
	<u>(872)</u>	<u>(755)</u>	<u>(117)</u>	<u>-16%</u>

The Group registered revenue of RM8.82 million and loss before tax of RM0.87 million in the third quarter ended 30 September 2021 as compared to a revenue of RM16.69 million and a loss before tax of RM0.75 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a lower revenue of RM5.23 million in the third quarter ended 30 September 2021 as compared to RM13.02 million in the third quarter 2020 mainly due restricted production capacity and lower sales quantities due to the Government's implementation of Full lockdown from June 2021 to mid of September 2021. Demand was higher in the third quarter ended 30 September 2020 after the Government lifted the MCO from 18.3.2020 to 3.5.2020.

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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 revenue of RM2.18 million in the third quarter 2021, a decrease of RM0.32 million mainly due to lower contribution from the on-going projects in Ipoh. As for the property and investment holding division, the revenue was higher at RM1.42 million in the third quarter 2021 as compared to RM1.18m in the third quarter 2020 mainly due to improvement in the carpark operation as a result of revision in parking rates.

The Group recorded a loss before tax of RM0.87 million in the period under review as compared to a loss of RM0.76 million in the third quarter ended 30 September 2020 mainly due to higher operating expenses

The property development division recorded a loss of RM0.48m in the third quarter 2021 as compared to RM0.07 million loss in the third quarter 2020 mainly due to lower contribution from the projects in Ipoh with sales and development progress impacted by the lockdown from June 2021 to mid of September 2021.

The Group's manufacturing and trading division recorded a higher loss of RM268k in the third quarter 2021 as compared to a profit of RM7k in the third quarter 2020 mainly due to higher gross profit margin as a result of higher selling prices despite lower sales quantities due to stoppage of production during the Full lockdown.

The Group's property and investment holding division has recorded a lower loss of RM0.1 million in the third quarter 2021 as compared to a loss of RM0.69 million in the third quarter 2020 mainly due to reversal of doubtful debts impairment of RM0.75 million upon receipt of payment, higher car park operation income and lower operating costs.

For the Nine Months Period

9 Months Ended	30.9.2021	30.9.2020	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
Property Development	7,686	3,137	4,549	145%
Property & Investment Holding and Others	4,358	3,152	1,206	38%
Manufacturing & Trading	22,929	29,306	(6,377)	-22%
	<u>34,973</u>	<u>35,595</u>	<u>(622)</u>	<u>-2%</u>
Profit Before Tax				
Property Development	(938)	(10,667)	9,729	91%
Property & Investment Holding and Others	900	(2,128)	3,028	142%
Manufacturing & Trading	(419)	(972)	553	57%
	<u>(457)</u>	<u>(13,767)</u>	<u>13,310</u>	<u>97%</u>

The Group's revenue of RM34.97 million for the financial period ended 30 September 2021 represents a 2% or RM0.62 million decrease from RM35.6 million in the corresponding period ended 30 September 2020. The property division recorded an increase of RM4.55 million due higher contribution from the on-going projects in Ipoh. The manufacturing and trading division recorded a decrease in revenue of RM6.38 million as compared to the corresponding period ended 30 September 2020 mainly due to restriction of production capacity due to the implementation of Full lockdown by the Government from June 2021 to mid of September resulted in lower sales quantities despite the higher selling price. As for the property and investment holding division, the revenue was 38% higher at RM4.36 million in the financial period ended 30 September 2021 due to higher car park income as a result of revision of parking rates and higher occupancy rates.

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

For the Nine Months Period (cont'd)

Gross profit margin of the Group was higher at 14.7% for financial period ended 30 September 2021 as compared to 7% for the corresponding period ended 30 September 2020 mainly due to higher profit margin of the carpark operation and the manufacturing and trading division.

The Group recorded a loss before tax of RM0.46 million for the financial period ended 30 September 2021 as compared to a loss of RM13.77 million in the corresponding period ended 30 September 2020. A lower loss of RM0.94 million was recorded by the property division as compared to RM10.67 million loss for the financial period ended 30 September 2020 mainly due to higher contribution from the on-going Ipoh projects and lower operating expenses. The manufacturing and trading division recorded a lower loss before tax of RM0.42 million as compared to RM0.97 million in the corresponding period ended 30 September 2020 as a result of higher gross profit margin and lower operating expenses.

In the financial period ended 30 September 2021, the Group's property and investment holding division recorded a profit of RM0.9 million as compared to a loss of RM2.13 million in the financial period ended 30 September 2020. The lower loss of RM3.03 million was mainly due higher carpark operation income as a result of revision of parking rates, additional fixed car park rental for 800 bays, lower operating expenses after the Group exited China in May 2020 and dividend income of RM2.6 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 2021 vs Second Quarter 2021

	Current	Immediate	Changes	
	Quarter	Preceding		
	30.9.2021	30.6.2021	RM'000	%
Revenue	RM'000	RM'000		
Property Development	2,176	2,369	(193)	-8%
Manufacturing & Trading	5,226	8,364	(3,138)	-38%
Property & Investment Holding	1,418	1,588	(170)	-11%
	<u>8,821</u>	<u>12,322</u>	<u>(3,501)</u>	<u>-28%</u>
Profit Before Tax				
Property Development	(477)	(475)	(2)	0%
Manufacturing & Trading	(268)	(113)	(155)	-138%
Property & Investment Holding and Others	(127)	2,020	(2,147)	106%
	<u>(872)</u>	<u>1,432</u>	<u>(2,304)</u>	<u>161%</u>

During the 3 months ended 30 September 2021, the Group's revenue of RM8.82 million represents a decrease of RM3.5 million or 28% from the RM12.32 million revenue recorded in the preceding 3 months ended 30 June 2021. The property division recorded a lower revenue of RM2.18m in the current quarter as compared to RM2.37m in the second quarter 2021 as the sales and progress of development work were affected by Phase 1 total lockdown ("FMCO") of the National Recovery Plan ("NRP") from 1.6.2021 to 3.7.2021. The manufacturing and trading division recorded a lower revenue of RM5.23 million in the third quarter 2021, as compared with RM8.36 million in the second quarter 2021 mainly due to the closure of factory from 1.6.2021 to 28.6.2021 during the FMCO of the NRP and the restriction of production capacity from June 2021 to September 2021 which resulted in shortage of supply despite higher selling price and profit margin.

SOUTH MALAYSIA INDUSTRIES BERHAD

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(Incorporated in Malaysia)

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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)

Third Quarter 2021 vs Second Quarter 2021 (cont'd)

As for the property and investment holding division, the revenue was 11% lower at RM1.42 million in the current quarter as compared to RM1.59 million in the preceding quarter due to the Full lockdown from June 2021 to mid September 2021 where all non-essential businesses were not allowed to operate and employees were required to Work From Home.

The Group recorded a loss before tax of RM0.87 million in the third quarter 2021, higher loss as compared to a profit of RM1.43 million in the second quarter 2021 mainly due a dividend income of RM2.6 million from the Group's investment in New Zealand recorded in the second quarter 2021.

The property development division recorded a loss of RM0.48 million in both the third quarter 2021 and second quarter 2021 mainly due to higher operating expenses.

The Group's manufacturing and trading division recorded a higher loss of RM0.27 million in the third quarter 2021 as compared to a RM0.1 million loss in the second quarter 2021 mainly due to the impact of the FMCO implemented from June 2021 to mid of September 2021 whereby the production capacity was restricted.

The Group's property & investment holding division recorded a loss before tax of RM0.13 million in the third quarter 2021, higher loss of RM2.15 million as compared to a profit of RM2.02 million in the second quarter 2021 mainly due to the RM2.6 million dividend from the Group's investment in New Zealand received in the second quarter 2021 offset by RM0.75 million doubtful debts impairment reversal in the third quarter 2021.

B3 Commentary on Prospects

Bank Negara Malaysia has revised the projected GDP growth of Malaysia to between 3% and 4% in 2021, accounting for the impact of the re-imposition of the nationwide containment measures and the increase in economic activities as containment measures are relaxed progressively. The uncertainties will prevail in for the rest of 2021 as recovery is subject to global demand and supply disruptions. This have a significant impact on the Group's manufacturing and property sectors. The property glut situation is not expected to improve in the immediate future. In the short term, the Group will remain cautious and focus on selling the unsold units at Pinnacle Kelana Jaya and the continuation of its existing projects in Ipoh in 2021.

As for the manufacturing division, demand for galvanized wires is expected to remain sluggish for the rest of 2021 and the division will strive to minimise losses in the current financial year.

The investment holding division's rental income was impacted by MCO with tenants faced with curtailment of operations and rental discounts granted in 2020 and first quarter of 2021. As the situation is expected to remain unchanged for the rest of 2021, results for this division is not expected to improve in the current financial year. However, the car park operation's results are expected to improve in 2021 with the increase in parking rates, improved efficiency and take up rates with the installation of the new cashless parking system.

Faced with the current uncertainties and unfavourable market conditions, the Group's result in 2021 is not expected to improve significantly.

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

Not applicable.

B5 Taxation

	3 months Ended 30.9.2021 RM'000	9 months Ended 30.9.2021 RM'000
Taxation based on the results for the period:		
Malaysian taxation	51	247
Transfer to/(from) deferred taxation	108	158
	<hr/> 159	<hr/> 405
Under/(Over) provision of taxation in respect of prior year	12	12
	<hr/> 171	<hr/> 417

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 2021.

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NOTES TO THE INTERIM FINANCIAL REPORT

B7 Group Borrowings

	As at 30.9.2021 RM'000	As at 30.9.2020 RM'000
Current		
Secured (RM denominated):-		
- Lease liabilities (fixed interest rate)	105	107
- Bankers' acceptance (floating interest rate)	5,401	7,855
- Term loan (floating interest rate)	2,357	2,006
- Trust receipt (floating interest rate)	423	-
- Revolving credit (floating interest rate)	4,200	-
	<u>12,486</u>	<u>9,968</u>
Non-current		
Secured (RM denominated):-		
- Lease liabilities (fixed interest rate)	192	10
- Term loan (floating interest rate)	8,158	11,471
	<u>8,350</u>	<u>11,481</u>
Borrowings maturity:		
Less than one year	12,486	9,968
Later than one year and not later than two years	2,782	2,558
Later than two years and not later than five years	5,442	7,804
Later than five years	126	1,119
	<u>20,836</u>	<u>21,449</u>
 The weighted average effective rates per annum are as follows:		
- Lease liabilities	6.97%	3.72%
- Bankers' acceptance	4.80%	5.34%
- Term loan	4.65%	5.51%
- Trust receipt	6.70%	-
- Revolving credit	4.46%	-
 The proportion of debts are as follows:		
- Fixed interest rate	1.4%	0.5%
- Floating interest rate	<u>98.6%</u>	<u>99.5%</u>

B8 Derivative Financial Instruments

There were no derivative financial instruments as at financial period ended 30 September 2021.

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 30 September 2021.

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	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	RM'000	RM'000	RM'000	RM'000
(a) Other income including investment income	(219)	(366)	(3,242)	(3,710)
(b) Depreciation and amortisation	670	713	1,927	1,993
(c) Provision for and write-off/(write-back) of receivables	(814)	(36)	(779)	(68)
(d) Loss/(Gain) on disposal of quoted investments	-	(361)	141	(383)
(e) Foreign exchange loss/(gain)	2	4	3	24
(f) Gain on disposal of investment property	-	-	-	(41)
(g) Impairment/(reversal) of other investment	7	-	30	-

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 2021.

B12 Earnings per Share

	3 Months Ended		9 Months Ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	RM'000	RM'000	RM'000	RM'000
(a) Basic Earnings per Share				
Net profit/(loss) attributable to owners of the parent	(1,043)	(766)	(874)	(13,139)
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	(0.50)	(0.36)	(0.42)	(6.26)

(b) Diluted Earnings per Share

There is no dilutive event as at 30 September 2021 and 30 September 2020. Therefore, the diluted EPS is the same as the basic EPS.

By Order of the Board

Tan Siew Chin

Company Secretary

Kuala Lumpur

Date: 24 November 2021