

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 2022**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	3 Months Ended		6 Months Ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM'000	RM'000	RM'000	RM'000
Revenue	12,627	12,322	24,603	26,153
Operating Expenses	(12,959)	(13,656)	(26,713)	(28,091)
Other Expenses	(158)	(40)	(169)	(369)
Interest Income	252	130	257	134
Other Operating Income	334	2,875	484	3,139
Profit/(Loss) from Operations	96	1,631	(1,538)	966
Finance Costs	(268)	(199)	(492)	(551)
Profit/(Loss) before tax	(172)	1,432	(2,030)	415
Tax	(228)	(34)	(318)	(246)
Net profit/(loss) for the period	(400)	1,398	(2,348)	169
Other comprehensive income/(loss), net of tax				
Items that may be reclassified subsequently to profit or loss				
- Financial assets at fair value through other comprehensive income	(1,029)	(1,767)	(2,325)	923
Other comprehensive income/(loss) for the period, net of tax	(1,029)	(1,767)	(2,325)	923
Total comprehensive income/(loss) for the period	(1,429)	(369)	(4,673)	1,092
Profit/(Loss) attributable to:				
Owners of the parent	(400)	1,398	(2,348)	169
Total comprehensive income/(loss) attributable to:				
Owners of the parent	(1,429)	(369)	(4,673)	1,092
Earnings/(Loss) per share attributable to				
Owners of the parent:				
Basic/Diluted (sen)	(0.19)	0.67	(1.12)	0.08

(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 2021.)

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2022

Condensed Consolidated Statement of Financial Position

	As at 30.6.2022 RM'000	As at 31.12.2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,753	7,208
Right-of-use assets	4,090	4,332
Investment properties	90,843	90,795
Inventories	6,894	6,745
Other investments	22,101	24,426
	130,681	133,506
Current assets		
Inventories	12,056	13,461
Trade and other receivables	14,781	16,383
Tax recoverable	157	192
Other investments	2,932	3,401
Deposits, bank and cash balances	6,753	6,551
	36,679	39,988
Asset held for sale	4,008	4,008
	40,687	43,996
TOTAL ASSETS	171,368	177,502
EQUITY		
Capital and reserves attributable to the Owners of the parent		
Share capital	244,239	244,239
Reserves	(170)	2,155
Accumulated losses	(103,103)	(100,755)
TOTAL EQUITY	140,966	145,639
LIABILITIES		
Non-current liabilities		
Loans and borrowings	11,103	7,486
Deferred tax liabilities	1,505	1,335
	12,608	8,821
Current liabilities		
Trade and other payables	9,626	10,259
Loans and borrowings	8,168	12,783
	17,794	23,042
TOTAL LIABILITIES	30,402	31,863
TOTAL EQUITY AND LIABILITIES	171,368	177,502
Net assets per share (RM) attributable to Owners of the Parent	0.67	0.69

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021.)

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2022

Condensed Consolidated Statement of Changes in Equity

	Attributable to Owners of the Parent					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	
6 months Ended 30 June 2022						
At 1 January 2022	244,239	-	1,168	987	(100,755)	145,639
Profit/(Loss) for the period	-	-	-	-	(2,348)	(2,348)
Other comprehensive income/(loss) for the period	-	-	-	(2,325)	-	(2,325)
Total comprehensive income/(loss) for period	-	-	-	(2,325)	(2,348)	(4,673)
At 30 June 2022	244,239	-	1,168	(1,338)	(103,103)	140,966

6 months Ended 30 June 2021						
At 1 January 2021, as previously reported	244,239	3,170	1,168	1,767	(98,402)	151,942
Effect on adoption of Agenda Decision on MFRS 123 <i>Borrowing Costs</i>	-	-	-	-	(666)	(666)
At 1 January 2021, as restated	244,239	3,170	1,168	1,767	(99,068)	151,276
Profit/(Loss) for the period	-	-	-	-	169	169
Other comprehensive income/(loss) for the period	-	-	-	923	-	923
Total comprehensive income/(loss) for the period	-	-	-	923	169	1,092
At 30 June 2021	244,239	3,170	1,168	2,690	(98,899)	152,368

(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 2021.)

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2022

Consolidated Statement of Cash Flows

	6 Months Ended 30.6.2022 RM'000	6 Months Ended 30.6.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	(2,030)	415
Adjustments for:		
Depreciation & amortisation	1,240	1,256
Other non-cash items	52	199
Dividend Income	(163)	(2,619)
Finance costs	492	551
Interest income	(257)	(134)
Operating profit/(loss) before working capital changes	<u>(666)</u>	<u>(332)</u>
Change in working capital:		
Inventories	1,256	2,747
Trade and other receivables	1,336	3,967
Trade and other payables	(659)	(1,850)
Cash generated from/(used in) operations	<u>1,267</u>	<u>4,532</u>
Interest paid	(465)	(396)
Tax paid	(113)	(138)
Net cash from/(used in) operating activities	<u>689</u>	<u>3,998</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	602	135
Additions to investment properties	(48)	(413)
Proceeds from disposal of financial assets	3,580	4,717
Purchase of financial assets	(3,242)	(3,738)
Purchase of property, plant and equipment	(484)	(344)
Purchase of right-of-use assets	(59)	-
Net dividend received	163	2,619
Net cash from/(used in) investing activities	<u>512</u>	<u>2,976</u>

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Consolidated Statement of Cash Flows

	6 Months Ended 30.6.2022 RM'000	6 Months Ended 30.6.2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans and borrowings, net drawdown/(repayment)	(1,844)	(3,143)
Repayment of lease liabilities	(52)	(60)
Net cash from/(used in) financing activities	<u>(1,897)</u>	<u>(3,203)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	(696)	3,771
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>6,206</u>	<u>3,652</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>5,510</u></u>	<u><u>7,423</u></u>
Cash and Cash Equivalents at the end of the financial period comprises:		
Deposits, bank and cash balances	6,753	7,423
Bank overdrafts	(1,244)	-
	<u><u>5,508</u></u>	<u><u>7,423</u></u>

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2022

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 2021. 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 2021.

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 2021, except for the adoption of the following amendments to Malaysian Financing Reporting Standards ("MFRS") which are effective for the financial period beginning on or after 1 January 2022:

Amendment to MFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 -2020	

The adoption of the above amendments to MFRSs 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>
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information	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 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their material effect in the current quarter under review.

A5 Changes in Accounting Estimates

There were no changes in estimates of amount reported in prior interim periods or prior financial years that have a material effect in the current quarter under review.

A6 Debt and Equity Securities

There were no issuance of debt and equity securities, share buy back, share cancellation, share held as treasury and resale of treasury share during the financial period ended 30 June 2022.

A7 Dividends Paid

No dividend has been paid during the financial period ended 30 June 2022.

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NOTES TO THE INTERIM FINANCIAL REPORT

A8 Segment Reporting

The Group is organised into three main business segments:

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

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

6 months ended 30.6.2022	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	4,851	3,850	15,902	-	-	24,603
Intersegment revenue	-	797	-	-	(797)	-
	<u>4,851</u>	<u>4,647</u>	<u>15,902</u>	<u>-</u>	<u>(797)</u>	<u>24,603</u>
Segment Results						
Profit/(Loss) from operations	(96)	(361)	(98)	(0)	-	(555)
Interest Income	9	245	3	-	-	257
Finance costs	(1)	(281)	(210)	-	-	(492)
Depreciation & amortisation	(15)	(310)	(915)	-	-	(1,240)
Profit/(Loss) before tax	<u>(103)</u>	<u>(707)</u>	<u>(1,220)</u>	<u>(0)</u>	<u>-</u>	<u>(2,030)</u>
Taxation	(148)	(177)	7	-	-	(318)
Net profit/(loss) attributable to owners of the parent	<u>(251)</u>	<u>(884)</u>	<u>(1,213)</u>	<u>(0)</u>	<u>-</u>	<u>(2,348)</u>
Assets and Liabilities						
Segment assets	23,641	119,564	27,280	883	-	171,368
Segment liabilities	<u>5,682</u>	<u>15,508</u>	<u>9,209</u>	<u>3</u>	<u>-</u>	<u>30,402</u>

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NOTES TO THE INTERIM FINANCIAL REPORT

A8 Segment Reporting (cont'd)

6 months ended 30.6.2021	Property & Investment			Others RM'000	Elimination RM'000	Total RM'000
	Property Development RM'000	Holding RM'000	Manufacturing & Trading RM'000			
Segment Revenue						
External revenue	5,510	2,940	17,703	-	-	26,153
Intersegment revenue	-	799	-	-	(799)	-
	<u>5,510</u>	<u>3,739</u>	<u>17,703</u>	<u>-</u>	<u>(799)</u>	<u>26,153</u>
Segment Results						
Profit/(Loss) from operations	(375)	1,618	846	(1)	-	2,088
Interest Income	6	127	1	-	-	134
Finance costs	(61)	(340)	(150)	-	-	(551)
Depreciation & amortisation	(32)	(376)	(848)	-	-	(1,256)
Profit/(Loss) before tax	<u>(462)</u>	<u>1,029</u>	<u>(151)</u>	<u>(1)</u>	<u>-</u>	<u>415</u>
Taxation	(195)	(54)	3	-	-	(246)
Net profit/(loss) attributable to owners of the parent	<u>(657)</u>	<u>975</u>	<u>(148)</u>	<u>(1)</u>	<u>-</u>	<u>169</u>
Assets and Liabilities						
Segment assets	25,514	129,661	28,408	879	-	184,462
Segment liabilities	<u>7,912</u>	<u>15,750</u>	<u>8,429</u>	<u>3</u>	<u>-</u>	<u>32,094</u>

A9 Valuation of Property, Plant & Equipment

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

A10 Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the current financial period ended 30 June 2022 up to the date of this report.

A11 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial period ended 30 June 2022.

A12 Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities and contingent assets since 31 March 2022.

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NOTES TO THE INTERIM FINANCIAL REPORT

A13 Outstanding Commitments

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

A14 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 30.6.2022 RM'000
Rental income received / receivable from related parties	510
Management fee paid/payable to related parties	643
Advisory fee paid to a related party	60

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

	30.6.2022 RM'000	30.6.2021 RM'000	Changes RM'000	%
3 Months Ended				
Revenue				
Property Development	3,356	2,369	987	42%
Manufacturing & Trading	7,370	8,364	(994)	-12%
Property & Investment Holding	1,901	1,589	312	20%
	<u>12,627</u>	<u>12,322</u>	<u>305</u>	<u>2%</u>
Profit Before Tax				
Property Development	441	(475)	917	193%
Manufacturing & Trading	(389)	(113)	(277)	-246%
Property & Investment Holding and Others	(224)	2,020	(2,244)	111%
	<u>(172)</u>	<u>1,432</u>	<u>(1,604)</u>	<u>112%</u>

The Group registered revenue of RM12.63 million and loss before tax of RM0.17 million in the second quarter ended 30 June 2022 as compared to a revenue of RM12.32 million and a profit before tax of RM1.43 million in the preceding year corresponding quarter. The manufacturing and trading division recorded a lower revenue of RM7.37 million in the second quarter ended 30 June 2022 as compared to RM8.36 million in the second quarter 2021 mainly due to restricted production capacity due to machinery breakdown and labour shortage impacted by Covid-19 pandemic and lower sales quantities as a result of higher raw materials costs despite higher selling prices.

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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 revenue of RM3.36 million in the second quarter 2022, an increase of RM0.99 million mainly due to higher contribution on the on-going projects in Ipoh. As for the property and investment holding division, the revenue was higher at RM1.90 million in the second quarter 2022 as compared to RM1.59 million in the second quarter 2021 mainly due to improvement in the carpark operation after the lockdown ended in mid of September 2021.

The Group recorded a loss before tax of RM0.17 million in the period under review as compared to a profit of RM1.43 million in the second quarter ended 30 June 2021 mainly due to the absence of RM2.6 million dividend income from the investment in New Zealand offset by higher contribution from property development division and car park operation.

The property development division recorded a profit of RM0.44 million in the second quarter 2022 as compared to a loss of RM0.48 million in the second quarter 2021 mainly due to higher contribution from the on-going projects and the sales of completed projects in Ipoh.

The Group's manufacturing and trading division recorded a loss of RM0.39 million in the second quarter 2022 as compared to RM0.11 million in the second quarter 2021 mainly due to restricted production capacity due to machinery breakdown and labour shortage impacted by Covid-19 pandemic and lower sales quantities as a result of higher raw materials costs despite higher selling prices.

The Group's property and investment holding division recorded a higher loss of RM0.23 million in the second quarter 2022 as compared to a profit of RM2.02 million in the second quarter 2021 mainly due to the absence of RM2.6 million dividend income from the investment in New Zealand offset by higher contribution from car park operation as a result of increase in season parking.

For the 6 Months Period

6 Months Ended	30.6.2022	30.6.2021	Changes	
	RM'000	RM'000	RM'000	%
Revenue				
Property Development	4,851	5,510	(659)	-12%
Manufacturing & Trading	15,902	17,703	(1,801)	-10%
Property & Investment Holding and Others	3,850	2,940	910	31%
	<u>24,603</u>	<u>26,153</u>	<u>(1,550)</u>	<u>-6%</u>
Profit Before Tax				
Property Development	(103)	(462)	359	78%
Manufacturing & Trading	(1,220)	(151)	(1,069)	-710%
Property & Investment Holding and Others	(707)	1,028	(1,735)	169%
	<u>(2,030)</u>	<u>415</u>	<u>(2,445)</u>	<u>590%</u>

The Group's revenue of RM24.6 million for the financial period ended 30 June 2022 represents a 6% or RM1.55 million decrease from RM26.15 million in the corresponding period ended 30 June 2021. The property division recorded a decrease of RM0.66 million due lower contribution from the on-going and completed projects in Ipoh. The manufacturing and trading division recorded a decrease in revenue of RM1.8 million as compared to the corresponding period ended 30 June 2021 mainly due to restricted production capacity due to machinery breakdown and labour shortage impacted by Covid-19 pandemic and lower sales quantities as a result of higher raw materials costs despite higher selling prices. As for the property and investment holding division, the revenue was 31% higher at RM3.85 million in the financial period ended 30 June 2022 due to higher car park income as a result of higher occupancy rates after the end of lockdown in September 2021.

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

For the Six Months Period (cont'd)

Gross profit margin of the Group was slightly higher at 15% for financial period ended 30 June 2022 as compared to 14.7% for the corresponding period ended 30 June 2021 mainly due to higher profit margin of the carpark operation offset by lower margin of the manufacturing and trading division.

The Group recorded a loss before tax of RM2.03 million for the financial period ended 30 June 2022 as compared to a profit of RM0.42 million in the corresponding period ended 30 June 2021. The manufacturing and trading division recorded a higher loss before tax of RM1.22 million as compared to RM0.15 million in the corresponding period ended 30 June 2022 as a result of lower gross profit margin and higher operating expenses. A lower loss of RM0.1 million was recorded by the property division as compared to RM0.46 million loss for the financial period ended 30 June 2021 mainly due to higher contribution from the on-going Ipoh projects and lower operating expenses.

In the financial period ended 30 June 2022, the Group's property and investment holding division recorded a loss of RM0.71 million as compared to a profit of RM1.03 million in the financial period ended 30 June 2021. This was mainly due to the absence of RM2.6 million dividend income from investment in New Zealand, offset by higher carpark operation income as a result of increase in occupancy rates.

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 2022 vs First Quarter 2022

	Current	Immediate	Changes	
	Quarter	Preceding		
	30.6.2022	31.3.2022	RM'000	%
Revenue	RM'000	RM'000	RM'000	%
Property Development	3,356	1,495	1,861	125%
Manufacturing & Trading	7,370	8,532	(1,162)	-14%
Property & Investment Holding	1,901	1,950	(49)	-3%
	<u>12,627</u>	<u>11,976</u>	<u>651</u>	<u>5%</u>
Profit Before Tax				
Property Development	441	(544)	985	-181%
Manufacturing & Trading	(389)	(830)	441	53%
Property & Investment Holding and Others	(224)	(485)	261	54%
	<u>(172)</u>	<u>(1,859)</u>	<u>1,687</u>	<u>91%</u>

During the 3 months ended 30 June 2022, the Group's revenue of RM12.63 million represents an increase of RM0.65 million or 5% from the RM11.98 million revenue recorded in the preceding 3 months ended 31 March 2021. The property division recorded a higher revenue of RM3.36 million in the current quarter as compared to RM1.50 million in the first quarter 2022 due to higher sales and development progress. The manufacturing and trading division recorded a lower revenue of RM7.37 million in the second quarter 2022, as compared with RM8.53 million in the first quarter 2022 mainly due restricted production capacity due to machinery breakdown and labour shortage impacted by Covid-19 pandemic and lower sales quantities as a result of higher raw materials costs despite higher selling prices.

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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 2022 vs First Quarter 2022 (cont'd)

As for the property and investment holding division, the revenue was 3% lower at RM1.90 million in the current quarter as compared to RM1.95 million in the preceding 3 months ended 31 March 2022 mainly due to lower car park collection in the second quarter 2022.

The Group recorded a loss before tax of RM0.17 million in the second quarter 2022, a lower loss of RM1.69 million as compared to a loss of RM1.86 million in the first quarter 2022 mainly due higher profit of the property division in the quarter under review.

The property development division recorded a profit of RM0.44 million in the second quarter 2022 as compared to a loss of RM0.54m in first quarter 2022 mainly due to higher sales and progress development.

The Group's manufacturing and trading division recorded a lower loss of RM0.39 million in the second quarter 2022 as compared to a RM0.83 million loss in the first quarter 2022 mainly due restricted production capacity due to machinery breakdown and labour shortage impacted by Covid-19 pandemic and lower sales quantities as a result of higher raw materials costs despite higher selling prices.

The Group's property & investment holding division recorded a loss before tax of RM0.22 million in the second quarter 2022, lower loss of RM0.26 million as compared to RM0.49 million loss in the first quarter 2022 mainly due to lower operating costs and higher interest income.

B3 Commentary on Prospects

With the recovery momentum and a GDP growth of 6.9% in the first half of year 2022, Bank Negara Malaysia projected Malaysia's GDP growth expansion of between 5.3% and 6.3% in 2022, driven by normalisation in economic and social activities as Malaysia entered the transition to endemic phase on 1 April 2022. The Group's car park business has recovered in 2022 with the rebound in economic activity. 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 2022.

The manufacturing division will strive to minimise losses in 2022.

The investment holding division's rental income and car park income are expected to improve in line with the economic recovery in 2022.

Faced with the uncertainties from development surrounding Covid-19, impact of the military conflict in Ukraine on global growth and the corresponding rise in global commodity prices, rising inflation and high input costs amid prolonged supply chain disruption, the Group's result in 2022 is not expected to improve.

SOUTH MALAYSIA INDUSTRIES BERHAD

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 2022

NOTES TO THE INTERIM FINANCIAL REPORT

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

Not applicable.

B5 Taxation

	3 months Ended 30.6.2022 RM'000	6 months Ended 30.6.2022 RM'000
Taxation based on the results for the period:		
Malaysian taxation	148	148
Transfer to/(from) deferred taxation	80	170
	<u>228</u>	<u>318</u>
Under/(Over) provision of taxation in respect of prior year	-	-
	<u>228</u>	<u>318</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 2022.

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NOTES TO THE INTERIM FINANCIAL REPORT

B7 Group Borrowings

	As at 30.6.2022 RM'000	As at 30.6.2021 RM'000
Current		
Secured (RM denominated):-		
- Lease liabilities (fixed interest rate)	111	-
- Bankers' acceptance (floating interest rate)	-	6,039
- Term loan (floating interest rate)	2,865	1,860
- Trust receipt (floating interest rate)	248	-
- Revolving credit (floating interest rate)	3,700	4,200
- Bank overdrafts (floating interest rate)	1,244	-
	<u>8,168</u>	<u>12,099</u>
Non-current		
Secured (RM denominated):-		
- Lease liabilities (fixed interest rate)	108	-
- Term loan (floating interest rate)	10,995	9,377
	<u>11,103</u>	<u>9,377</u>
Borrowings maturity:		
Less than one year	8,168	12,099
Later than one year and not later than two years	3,191	2,928
Later than two years and not later than five years	5,982	6,250
Later than five years	1,930	199
	<u>19,271</u>	<u>21,476</u>
 The weighted average effective rates per annum are as follows:		
- Lease liabilities	6.97%	-
- Bankers' acceptance	-	4.80%
- Term loan	5.42%	4.71%
- Trust receipt	6.95%	-
- Revolving credit	4.72%	4.46%
- Bank overdrafts	7.05%	-
 The proportion of debts are as follows:		
- Fixed interest rate	1.1%	0.0%
- Floating interest rate	98.9%	100.0%

B8 Derivative Financial Instruments

There were no derivative financial instruments as at financial period ended 30 June 2022.

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 2022

NOTES TO THE INTERIM FINANCIAL REPORT

B10 Dividends

The Directors do not recommend any payment of dividend for the financial period ended 30 June 2022.

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	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM'000	RM'000	RM'000	RM'000
(a) Other income including investment income	(282)	(2,854)	(394)	(2,991)
(b) Depreciation and amortisation	625	641	1,240	1,256
(c) Provision for and write-off/(write-back) of receivables	(65)	26	(79)	35
(d) Loss/(Gain) on disposal of quoted investments	(3)	(0)	(5)	141
(e) Foreign exchange loss/(gain)	(3)	0	2	1
(f) Impairment/(reversal) of other investment	158	(31)	136	(8)

Other than the above, there were no loss/(gain) on derivatives, and exceptional items for the current quarter and financial period ended 30 June 2022.

B12 Earnings per Share

	3 Months Ended		6 Months Ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM'000	RM'000	RM'000	RM'000
(a) Basic Earnings per Share				
Net profit/(loss) attributable to owners of the parent	(400)	1,398	(2,348)	169
Weighted average number of shares in issue ('000)	209,940	209,940	209,940	209,940
Basic earnings/(loss) per share (sen)	(0.19)	0.67	(1.12)	0.08

(b) Diluted Earnings per Share

There is no dilutive event as at 30 June 2022 and 30 June 2021. 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 August 2022