

**SMIS Corporation Berhad**  
Registration No. 199901016957 (491857-V)  
(Incorporated in Malaysia)

Interim Financial Report  
30 September 2019

**Interim Report**  
**SMIS Corporation Berhad**  
Registration No. 199901016957 (491857-V)  
(Incorporated in Malaysia)  
**and its subsidiaries**

**Condensed Consolidated Statement of Financial Position as at 30 September 2019**  
(unaudited)

	Note	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment		37,719	37,828
Land use rights		12,563	12,495
Investment properties		1,060	4,173
Deferred tax assets		61	61
<b>Total non-current assets</b>		<u>51,403</u>	<u>54,557</u>
<b>Current Assets</b>			
Inventories		18,037	16,563
Trade and other receivables		27,026	29,092
Tax recoverable		1,617	5,215
Cash and bank balances		18,527	14,408
<b>Total current assets</b>		<u>65,207</u>	<u>65,278</u>
<b>TOTAL ASSETS</b>		<u><b>116,610</b></u>	<u><b>119,835</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		49,691	49,691
Reserves		13,516	11,880
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		<u>62,015</u>	<u>60,379</u>
Non-controlling interest		14,110	14,671
<b>Total equity</b>		<u>76,125</u>	<u>75,050</u>
<b>Non-current liabilities</b>			
Loans and borrowings	<b>B8</b>	4,638	6,470
Deferred tax liabilities		183	183
<b>Total non-current liabilities</b>		<u>4,821</u>	<u>6,653</u>
<b>Current liabilities</b>			
Trade and other payables		21,281	23,378
Loans and borrowings	<b>B8</b>	14,383	14,538
Tax payable		-	216
<b>Total current liabilities</b>		<u>35,664</u>	<u>38,132</u>
<b>Total liabilities</b>		<u>40,485</u>	<u>44,785</u>
<b>Total equity and liabilities</b>		<u><b>116,610</b></u>	<u><b>119,835</b></u>
Net assets per share (RM)		1.38	1.35

Note:-

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 9 months period ended 30 September 2019 (unaudited)**

	Note	3 months period ended 30 September		9 months period ended 30 September	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Continuing operations</b>					
<b>Revenue</b>		31,334	32,584	91,970	94,579
Cost of sale		(28,314)	(28,068)	(84,215)	(81,955)
<b>Gross profit</b>		3,020	4,516	7,755	12,624
Operating expenses		(4,020)	(3,826)	(13,294)	(12,798)
Other operating income		1,164	301	7,547	437
<b>Operating profit</b>		164	991	2,008	263
Finance costs		(321)	(279)	(897)	(1,005)
Interest income		5	10	29	71
(Loss)/profit before taxation		(152)	722	1,140	(671)
Tax income/(expense)	<b>B5</b>	267	(107)	263	(107)
Profit/(loss) after taxation from continuing operations, net of tax		115	615	1,403	(778)
Loss from discontinued operation, net of tax		-	(44)	-	(327)
<b>Profit/(loss) for the period</b>		115	571	1,403	(1,105)
<b>Other comprehensive income/(expense), net of tax Item that will not be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		97	(90)	203	(770)
<b>Other comprehensive income/(expense) for the period, net of tax</b>		97	(90)	203	(770)
<b>Total comprehensive income/(expense) for the period</b>		212	481	1,606	(1,875)
<b>Profit/(loss) attributable to:</b>					
Owners of the Company					
- From continuing operations		7	107	1,966	(2,041)
- From discontinued operation		-	(42)	-	(316)
		7	65	1,966	(2,357)
Non-controlling interests		108	506	(563)	1,252
<b>Profit/(loss) for the period</b>		115	571	1,403	(1,105)
<b>Total comprehensive income/(expense) attributable to:</b>					
Owners of the Company					
- From continuing operations		102	19	2,167	(2,812)
- From discontinued operation		-	(42)	-	(316)
		102	(23)	2,167	(3,128)
Non-controlling interests		110	504	(561)	1,253
<b>Total comprehensive income/(expense) for the period</b>		212	481	1,606	(1,875)
Basic earnings per ordinary share (sen)					
- From continuing operations		0.02	0.25	4.66	(4.84)
- From discontinued operation		-	(0.10)	-	(0.75)
	<b>B11</b>	0.02	0.15	4.66	(5.59)
Diluted earnings per ordinary share (sen)		N/A	N/A	N/A	N/A

**Notes:-**  
N/A = Not applicable

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Statement of Changes in Equity for the 9 months period ended 30 September 2019**  
(unaudited)

	← Attributable to the owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000			
<b>At 1 January 2019</b>	49,691	(1,192)	(562)	12,442	60,379	14,671	75,050
Foreign exchange translation reserve	-	-	201	-	201	2	203
Total comprehensive income for the financial period	-	-	201	-	201	2	203
Profit net of tax for the period	-	-	-	1,966	1,966	(563)	1,403
<b>Total comprehensive income for the financial period</b>	-	-	201	1,966	2,167	(561)	1,606
Contributions by and distribution to owners of the Company - Dividend to owners of the Company	-	-	(531)	-	(531)	-	(531)
Total transaction with owners of the Company	-	-	(531)	-	(531)	-	(531)
<b>At 30 September 2019</b>	<b>49,691</b>	<b>(1,192)</b>	<b>(892)</b>	<b>14,408</b>	<b>62,015</b>	<b>14,110</b>	<b>76,125</b>
<b>At 1 January 2018</b>	49,691	(1,192)	(406)	17,468	65,561	11,209	76,770
Foreign currency translation reserve	-	-	(156)	-	(156)	1	(155)
Loss from discontinued operation, net of tax	-	-	-	(372)	(372)	(13)	(385)
Loss net of tax for the period from continuing operations	-	-	-	(4,654)	(4,654)	1,070	(3,584)
<b>Total other comprehensive (expense)/income for the financial year</b>	-	-	(156)	(5,026)	(5,182)	1,058	(4,124)
Contributions by and distribution to owners of the Company - Subscription of additional shares in a subsidiary	-	-	-	-	-	2,404	2,404
Total transaction with owners of the Company	-	-	-	-	-	2,404	2,404
<b>At 31 December 2018</b>	<b>49,691</b>	<b>(1,192)</b>	<b>(562)</b>	<b>12,442</b>	<b>60,379</b>	<b>14,671</b>	<b>75,050</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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**Condensed Consolidated Statement of Cash Flows for the 9 months period ended 30 September 2019 (unaudited)**

	<b>9 months period ended 30 September 2019 RM'000</b>	<b>9 months period ended 30 September 2018 RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit/(loss) before tax	1,140	(998)
<b>Adjustment for non-cash items:-</b>		
Non cash item arising from property, plant and equipment	(1,201)	5,069
Bad debts written off	8	-
Unrealised currency exchange (gain)/loss	(543)	719
Interest income	(29)	(71)
Interest expense	897	957
<b>Operating profit before working capital changes</b>	<b>272</b>	<b>5,676</b>
<b>Changes in working capital:-</b>		
Inventories	(1,475)	225
Trade and other receivables	2,601	4,720
Trade and other payables	(2,096)	(4,662)
<b>Cash (used in)/generated from operations</b>	<b>(698)</b>	<b>5,959</b>
Interest paid	(55)	(15)
Tax refund	4,275	13
Tax paid	(632)	(181)
<b>Net cash generated from operating activities</b>	<b>2,890</b>	<b>5,776</b>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property, plant and equipment	(6,392)	(1,970)
Interest received	29	71
Proceeds from disposal of investment properties	9,210	-
Proceeds from disposal of property, plant and equipment	498	38
<b>Net cash generated from/(used in) investing activities</b>	<b>3,345</b>	<b>(1,861)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of shares to MI	-	2,400
Net repayment of Term Loans	(1,987)	(4,910)
Interest paid	(842)	(942)
Dividend paid	(531)	-
<b>Net cash used in from financing activities</b>	<b>(3,360)</b>	<b>(3,452)</b>
<b>Exchange rate fluctuation reserve</b>	<b>1,244</b>	<b>317</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,119</b>	<b>780</b>
<b>Cash and cash equivalents at 1 January</b>	<b>14,408</b>	<b>12,023</b>
<b>Cash and cash equivalents at 30 September</b>	<b>18,527</b>	<b>12,803</b>
@		
@ Cash and cash equivalents comprise the following balance sheet amounts:-		
Deposits placed with licensed banks	15	15
Cash and bank balances	18,512	12,788
	<b>18,527</b>	<b>12,803</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**A Notes to Interim Financial Report on Consolidated Results for the Period Ended 30 September 2019**

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**A1 Basis of preparation**

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 2019 and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018.

**A2 Changes in Accounting Policies**

The significant policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018.

**A3 Auditors’ report on preceding annual financial statements**

The auditors’ report on the financial statements for the year ended 31 December 2018 was not subject to any qualifications.

**A4 Seasonal or cyclical factors**

The Malaysian Automotive Association (“MAA”), reported that passenger vehicles recorded 133,244 new registrations for the quarter ended 30 September 2019, which represents a 7.47% decrease as compared to 144,005 units for the corresponding period in the previous year.

**A5 Unusual nature and amount of items affecting assets, liabilities, equity, net income and cash flows**

There were no unusual nature and amount of items, which affected the assets, liabilities, equity, net income and cash flows of the Group during the quarter under review.

**A6 Material changes in estimates of amounts reported in prior periods in current financial year or prior financial years which have material effect in the current interim period**

There were no material changes in estimates during the quarter under review.

**A7 Dividend**

There were no dividends paid during the quarter under review.

**A8 Debts and equity securities**

During the quarter under review, the Company did not purchase any ordinary shares from the open market. Aside from the above, there were no new debts and equity securities issued during the quarter.

**A Notes to Interim Financial Report on Consolidated Results for the Period Ended 30 September 2019**

**A9 Segmental reporting**

Segmental analysis of the results and assets employed for the 9 months period ended 30 September 2019:

Business Segments	Automotive Parts RM'000	Machinery Parts RM'000	Others RM'000	Consolidated RM'000
Revenue from external customers	84,410	7,560	-	91,970
Segment results	(3,539)	5,436	111	2,008
Interest income				29
Financing costs				(897)
Profit before taxation				1,140
Tax expenses				263
Profit after taxation for the period				1,403
Translation reserve				203
Total comprehensive income for the period				1,606
Segment assets	80,653	16,151	19,806	116,610
Total assets				116,610
Segment liabilities	25,095	883	14,507	40,485
Total liabilities				40,485
Capital expenditure	5,945	447	-	6,392
Depreciation and amortisation	4,667	202	331	5,200

**A10 Statement on the effect on interim results concerning valuation of property, plant and equipment brought forward without amendment from the previous annual financial statements.**

There were no valuations of property, plant and equipment performed or brought forward from the previous financial year.

**A11 Material events**

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature which have arisen since 30 September 2019 to the date of this announcement.

**A12 Changes in the composition of the Group**

There were no changes in the composition of the Group for the current quarter.

**A13 Contingent assets and contingent liabilities**

There were no contingent assets and contingent liabilities for the current quarter.

**A14 Capital commitments**

The capital commitments of the Group for the quarter under review are as follows:

	As at 30.9.2019 RM'000	As at 30.9.2018 RM'000
Plant and equipment Contracted but not provided for in the financial statements	403	871

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**and its subsidiaries****B Additional Information Required by Bursa Malaysia Securities Berhad ("Bursa Malaysia") Main Market Listing Requirements****B1 Review of performance**

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter			30.09.2019	Preceding Year Corresponding Quarter		
	30.09.2019 RM'000	30.09.2018 RM'000	RM'000	%		30.09.2019 RM'000	30.09.2018 RM'000	RM'000
Revenue	31,334	32,584	(1,250)	(3.8)	91,970	94,579	(2,609)	(2.8)
Gross profit	3,020	4,516	(1,496)	(33.1)	7,755	12,624	(4,869)	(38.6)
Profit before interest and tax	164	991	(827)	(83.5)	2,008	263	1,745	663.5
(Loss)/profit before tax	(152)	722	(874)	(121.1)	* 1,140	(671)	1,811	269.9
Profit after taxation from continuing operations	115	615	(500)	(81.3)	1,403	(778)	2,181	280.3
Loss after taxation from discontinued operation	-	(44)	44	100.0	-	(327)	327	100.0
Profit/(loss) attributable to the owners of the company	7	65	(58)	(89.2)	1,966	(2,357)	4,323	183.4

The Group reported revenue of RM31.33m and loss before tax ("LBT") of RM0.15m for the current quarter as compared to revenue of RM32.58m and profit before tax ("PBT") of RM0.72m respectively achieved in the previous year corresponding quarter.

\* PBT in current year cumulative period ended 30 September 2019 included gain on disposal of investment properties of RM6.13m.

The review of the Group's performance, analysed by its key operating segments were as follows:-

**Automotive parts**

Revenue from the carpet segment from Malaysia increased marginally by RM0.44m to RM18.55m which is mainly due to the increase in revenue from Mazda, Proton, Perodua and Toyota respectively. The segment recorded PBT of RM0.21m as compared to RM1.25m in the previous year corresponding quarter due to product mix with lower margin and higher labour cost as a result of increase in minimum wages.

In Indonesia, revenue decreased marginally from RM0.99m to RM0.95m as compared to previous year corresponding quarter mainly due to reduced volume for SGMW, ADM and Suzuki model. However, the loss from the Indonesian operations has reduced from RM0.63m to RM0.41m due to better costs control.

Revenue from braking component segment decreased by RM0.81m to RM9.62m due to decrease in sales to Honda and Mazda respectively. The loss for the segment has worsened from RM0.35m to RM0.58m due to decrease in sales.

**Machinery parts**

Revenue for the current quarter decreased by RM0.82m to RM2.44m due to further tensions and drop in production in the palm oil sector. The PBT has also decreased by RM0.1m to RM0.2m in current quarter as a result of decrease in revenue.



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**and its subsidiaries****B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements****B2 Variation of results against preceding quarter**

	Current Quarter 30.09.2019 RM'000	Immediate Preceding Quarter 30.06.2019 RM'000	Changes	
			RM'000	%
Revenue	31,334	29,676	1,658	5.6
Gross profit	3,020	1,660	1,360	81.9
Profit/(loss) before interest and tax	164	(2,524)	2,688	106.5
(Loss)/profit before tax	(152)	(2,800)	2,648	94.6
Profit/(loss) after taxation	115	(2,749)	2,864	104.2
Profit/(loss) attributable to the owners of the company	7	(1,858)	1,865	100.4

The Group’s revenue for the reporting period recorded RM1.66m increase in comparison to the immediate preceding quarter.

**Automotive parts**

Revenue from the carpet segment from Malaysia increased by RM1.37m to RM18.55m as compared to preceding quarter mainly due to major increase in sales to Mazda of RM1.17m. The current quarter recorded a PBT of RM0.21m from a LBT of RM0.69m due to higher revenue and shift in product mix.

In Indonesia, sales revenue increased marginally from RM0.84m to RM0.95m as compared to preceding quarter with loss for the quarter reduced from RM0.60m to RM0.41m .

Revenue from braking components increased by RM0.58m to RM9.62m with loss for the quarter reduced from RM1.10m to RM0.58m which is mainly due to increase in sales to Proton during the quarter.

**Machinery parts**

Machinery parts segment recorded drop in revenue by RM0.36m to RM2.44m but with a slight improved PBT of RM0.20m compared with RM0.10m in preceding quarter due to aggressive monitoring of purchasing trends and negotiation with principals for better margins.

**B3 Prospects for 2019****Automotive parts**

MAA industry forecast for 2019 is as follows:

Market segment	2019	2018	Variance	
	Forecast	Actual	Units	%
Passenger vehicles	534,000	533,202	798	0.1
Commercial vehicles	66,000	65,512	488	0.7
Total vehicles	600,000	598,714	1,286	0.2

Based on the above, the local automotive parts segment is expected to be in line with the industry forecast.

**Machinery parts**

The Management is cautiously optimistic that it should be able to achieve satisfactory results. Furthermore, exploration into business opportunities in other sectors (such as chemicals and food & beverage) and other countries is on-going to facilitate diversification of revenue stream.

**B4 Profit estimate, forecast, projection or internal targets and profit guarantee**

The Group did not announce or provide any profit estimate, forecast, projection, internal targets for the period ended 30 September 2019.

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**and its subsidiaries****B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements****B5 Taxation**

	3 months period ended		Financial year ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Income tax income/(expenses)				
- Current year	267	(107)	263	(107)
- Prior year	-	-	-	-
Deferred tax				
- Origination and reversal of temporary differences	-	-	-	-
	<u>267</u>	<u>(107)</u>	<u>263</u>	<u>(107)</u>

**B6 Status of corporate proposals announced**

The Group does not have any corporate proposals at the date of this announcement.

**B7 Notes to the Statement of Comprehensive Income**

Profit for the period is arrived at after (charging) / crediting :

	3 months period ended		Financial year ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Interest income	13	10	29	71
Other income including investment income	311	113	803	338
Gain on disposal of investment properties	589	-	6,127	-
Interest expenses	(321)	(284)	(897)	(957)
Depreciation and amortisation	(1,847)	(1,748)	(5,200)	(5,097)
Development cost	(52)	(195)	(415)	(468)
Net foreign exchange gain/(loss)	10	(271)	(116)	(1,040)

Other than the above, there was no gain or loss on disposal of quoted or unquoted investments or properties, gain or loss on derivatives and exceptional items included in the results for the current quarter ended 30 September 2019.

**B8 Group's borrowings and debt securities**

Secured:-	As at 30 September 2019			As at 30 September 2018		
	Long term	Short term	Total	Long term	Short term	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revolving credit	-	13,955	13,955	-	13,952	13,952
Term loans	4,638	428	5,066	6,530	664	7,194
	<u>4,638</u>	<u>14,383</u>	<u>19,021</u>	<u>6,530</u>	<u>14,616</u>	<u>21,146</u>

All the above borrowings are denominated in Ringgit Malaysia and the Group does not have any foreign denominated borrowings or any unsecured borrowings. The bank overdraft of the Group bears interest rate of 8.57% per annum whilst both revolving credit and term loans bears interest rate range from 4.72% to 4.97% and 5.61% per annum respectively.

**B9 Material litigation**

The Company and its subsidiaries have no outstanding material litigation as at the date of this announcement.

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**B10 Dividend**

The Board of Directors does not recommend any dividend for the current period ended 30 September 2019.

**B11 Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share for the quarter and for the cumulative quarter is based on the following:

	For the quarter ended 30.09.2019 RM'000	For the cumulative 9 months ended 30.09.2019 RM'000
Profit attributable to Owners of the Company :	7	1,966
Profit/(loss) attributable to minority interest	108	(563)
Profit for the period	115	1,403
Weighted average number of ordinary shares	42,163	42,163
Basic earnings per share (sen)	0.02	4.66