

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

Interim Financial Report
30 June 2020

Unaudited Condensed Consolidated Statements of Financial Position

	Note	As at 30 June 2020 RM'000	As at 31 December 2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		34,883	34,664
Right-of-use assets		15,427	15,631
Investment properties		850	857
Deferred tax assets		80	92
Total non-current assets		51,240	51,244
Current assets			
Inventories		18,959	18,849
Tax recoverable		453	348
Trade and other receivables		14,816	26,982
Prepayments		954	1,216
Cash and cash equivalents		12,994	13,978
Total current assets		48,176	61,373
TOTAL ASSETS		99,416	112,617
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		7,804	12,855
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		56,303	61,354
Non-controlling interest		13,240	14,293
Total equity		69,543	75,647
Non-current liabilities			
Loans and borrowings	B8	4,317	4,531
Lease liabilities		669	910
Deferred tax liabilities		155	155
Total non-current liabilities		5,141	5,596
Current liabilities			
Loans and borrowings	B8	9,350	9,890
Lease liabilities		433	528
Trade and other payables		14,835	20,839
Tax payable		114	117
Total current liabilities		24,732	31,374
Total liabilities		29,873	36,970
TOTAL EQUITY AND LIABILITIES		99,416	112,617
Net assets per share (RM)		1.26	1.37

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes to the interim financial reports.

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Period Ended 30 June 2020

	Note	3 months period ended 30 June		6 months year ended 30 June	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Continuing operations					
Revenue		11,206	29,676	32,847	60,636
Cost of sale		(12,101)	(28,016)	(32,358)	(55,901)
Gross profit		(895)	1,660	489	4,735
Operating expenses		(1,430)	(4,633)	(6,850)	(9,274)
Other operating income		117	449	196	6,383
Operating (loss)/profit		(2,208)	(2,524)	(6,165)	1,844
Finance costs		(195)	(292)	(418)	(576)
Interest income		6	16	13	24
(Loss)/Profit before taxation		(2,397)	(2,800)	(6,570)	1,292
Tax expenses	B5	-	51	(7)	(4)
(Loss)/Profit after taxation		(2,397)	(2,749)	(6,577)	1,288
(Loss)/Profit for the period		(2,397)	(2,749)	(6,577)	1,288
Other comprehensive (loss)/income, net of tax Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		706	75	473	106
Total comprehensive (loss)/income for the period		(1,691)	(2,674)	(6,104)	1,394
(Loss)/Profit attributable to:					
Owners of the Company		(897)	(1,858)	(5,522)	1,959
- From continuing operations		(897)	(1,858)	(5,522)	1,959
- From discontinued operation		-	-	-	-
Non-controlling interests		(897)	(1,858)	(5,522)	1,959
		(1,500)	(891)	(1,055)	(671)
		(2,397)	(2,749)	(6,577)	1,288
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(197)	(1,783)	(5,051)	2,065
- From continuing operations		(197)	(1,783)	(5,051)	2,065
- From discontinued operation		-	-	-	-
Non-controlling interests		(197)	(1,783)	(5,051)	2,065
		(1,494)	(891)	(1,053)	(671)
		(1,691)	(2,674)	(6,104)	1,394
Basic (loss)/earnings per ordinary share (sen)	B11	(2.13)	(4.41)	(13.10)	4.65

The Unaudited Condensed Consolidated Statements 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 and the accompanying explanatory notes to the interim financial reports.

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 30 June 2020

	← Attributable to owners of the Company →						Total equity RM'000
	Non-distributable			Distributable			
	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	
At 1 January 2020	49,691	(1,192)	(408)	13,263	61,354	14,293	75,647
Other comprehensive (loss)/ income for the financial period	-	-	471	-	471	2	473
Loss net of tax for the financial period	-	-	-	(5,522)	(5,522)	(1,055)	(6,577)
Total comprehensive (loss)/ income for the financial period	-	-	471	(5,522)	(5,051)	(1,053)	(6,104)
At 30 June 2020	49,691	(1,192)	63	7,741	56,303	13,240	69,543
At 1 January 2019	49,691	(1,192)	(562)	12,442	60,379	14,671	75,050
Profit net of tax for the financial year	-	-	-	821	821	154	975
Other comprehensive income/ (loss) for the financial year	-	-	154	-	154	(1)	153
Total other comprehensive income for the financial year	-	-	154	821	975	153	1,128
Contributions by and distribution to owners of the Company - Dividend paid on shares	-	-	-	-	-	(531)	(531)
Total transaction with owners of the Company	-	-	-	-	-	(531)	(531)
At 31 December 2019	49,691	(1,192)	(408)	13,263	61,354	14,293	75,647

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes to the interim financial reports.

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Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 30 June 2020

	6 months period ended 30 June	
	2020	2019
	RM'000	RM'000
Cash Flows From Operating Activities		
(Loss)/Profit before tax	(6,570)	1,292
Adjustment for non-cash items:-		
Non-cash items arising from property, plant and equipment, rights-of-use assets, and investment properties	3,518	(2,484)
Bad debts written off	20	8
Interest income	(13)	(24)
Interest expense on borrowings	374	576
Interest expense on lease obligations	44	-
Unrealised loss on foreign currency exchange	(126)	(191)
Operating (loss)/profit before working capital changes	<u>(2,753)</u>	<u>(823)</u>
Changes in working capital:-		
Inventories	(109)	(301)
Receivables	12,488	3,833
Payables	(7,458)	(2,358)
Cash generated from/(used in) operations	<u>2,168</u>	<u>351</u>
Interest paid	(25)	(17)
Tax refund	-	584
Tax paid	(102)	(527)
Net cash generated from/(used in) operating activities	<u>2,041</u>	<u>391</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(1,648)	(3,391)
Interest received	13	24
Proceeds from disposal of property, plant and equipment	-	6,198
Net cash (used in)/generated from investing activities	<u>(1,635)</u>	<u>2,831</u>
Cash Flows From Financing Activities		
Net repayment of borrowings	(224)	(271)
Interest paid	(349)	(559)
Repayment of lease liabilities	(400)	-
Dividend paid	-	(531)
Net cash used in financing activities	<u>(973)</u>	<u>(1,361)</u>
Effect of exchange rate changes	112	1,240
Net increase in cash and cash equivalents	(455)	3,101
Cash and cash equivalents brought forward	13,449	14,408
Cash and cash equivalents carried forward	<u>@ 12,994</u>	<u>17,509</u>
@ Cash and cash equivalents comprises of the following:-		
Deposits placed with licensed banks	15	15
Cash and bank balances	12,979	17,494
	<u>12,994</u>	<u>17,509</u>

The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes to the interim financial reports.

A Notes to the Interim Financial Report on Consolidated Results for the Period Ended 30 June 2020

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2020 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 2019.

A2 Changes in Accounting Policies

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited consolidated financial statements for the financial year ended 31 December 2019.

A3 Auditors' report on preceding annual financial statements □

The auditors' report on the financial statements for the year ended 31 December 2019 was not subject to any qualifications.

A4 Seasonal or cyclical factors

The Malaysian Automotive Association ("MAA"), reported that passenger vehicles recorded 158,876 new registrations for the 1st half of 2020, which represents a 41.34% decrease as compared to 270,861 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

The Malaysian Government imposed the Movement Control Order ("MCO") commencing 18th March 2020 in response to the Covid-19 pandemic. The MCO required temporary closure of all businesses within the Group. Further details are disclosed in notes B1 and B2.

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.

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A Notes to the Interim Financial Report on Consolidated Results for the Period Ended 30 June 2020

A9 Segmental reporting

Segmental analysis of the results and assets employed for the 6 months period ended 30 June 2020:

Business segment	Automotive Parts RM'000	Machinery Parts RM'000	Others RM'000	Consolidated RM'000
Revenue from external customers	29,288	3,559	-	32,847
Segment results	(5,568)	(413)	(184)	(6,165)
Interest income				13
Financing costs				(418)
Loss before taxation				(6,570)
Tax expenses				(7)
Loss after taxation				(6,577)
Exchange differences on translation of foreign operations				473
Total comprehensive loss for the period				(6,104)
Segment assets	77,336	14,904	6,643	98,883
Unallocated corporate assets	278	221	34	533
Total assets				99,416
Segment liabilities	24,557	718	4,330	29,605
Unallocated corporate liabilities	268	-	-	268
Total liabilities				29,873
Capital expenditure	3,126	23	-	3,149
Depreciation and amortisation	3,172	130	216	3,518

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 June 2020 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 30.06.2020 RM'000	As at 30.06.2019 RM'000
Plant and equipment contracted but not provided for in the financial statements	487	640

**Interim Financial Report
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B Additional Information Required by Bursa Malaysia Securities Berhad ("Bursa Malaysia") Main Market Listing Requirements

B1 Review of performance

	Individual Period				Cumulative Period			
	Current	Preceding	Changes		Current	Preceding	Changes	
	Year	Year			Year	Year		
	Quarter	Quarter	Quarter	Quarter	Quarter	Quarter		
30.06.2020	30.06.2019	RM'000	%	30.06.2020	30.06.2019	RM'000	%	
Revenue	11,206	29,676	(18,470)	(62.2)	32,847	60,636	(27,789)	(45.8)
Gross profit	(895)	1,660	(2,555)	(153.9)	489	4,735	(4,246)	(89.7)
(Loss)/Profit before interest and tax	(2,208)	(2,524)	316	(12.5)	(6,165)	1,844	(8,009)	(434.3)
(Loss)/Profit before tax	(2,397)	(2,800)	403	(14.4)	(6,570)	1,292	(7,862)	(608.5)
(Loss)/Profit after taxation	(2,397)	(2,749)	352	(12.8)	(6,577)	1,288	(7,865)	610.6
(Loss)/Profit attributable to the owners of the company	(897)	(1,858)	961	(51.7)	(5,522)	1,959	(7,481)	381.9

The Group reported revenue of RM11.20m and loss before tax ("LBT") of RM2.39m for the current quarter as compared to revenue of RM29.67m and LBT of RM2.80m respectively achieved in the previous year corresponding quarter. The significant drop in revenue is mainly due to:

- i) slow automotive sales
- ii) low volumes in the palm oil sector
- iii) the enforcement of the Movement Control Order ("MCO") commencing 18th March 2020

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

Automotive parts

Revenue from the carpet segment in Malaysia decreased by RM12.41m to RM4.76m which was due to drop in sales from main customers such as Honda, Toyota and Perodua accounting for RM10.05m of the RM12.41m. The segment recorded a LBT of RM1.50m compared to a LBT of RM0.70m in the previous year corresponding quarter.

In Indonesia, revenue decreased by RM0.66m (78.43%) to RM0.18m as compared to previous year corresponding quarter as production grounded to almost a complete halt. The unit recorded a LBT of RM0.56m against a LBT of RM0.60m in the previous year corresponding quarter. Losses were kept from escalating as management pared down headcount and cost in view of the much reduced volume.

Braking component segment suffered a 48.84% drop in revenue for the current quarter; from RM9.04m in Q2'19 to RM4.63m for the reporting period. LBT for the period was RM0.94m (Q2'19 : LBT RM1.10m). Cost reduction measures were carried out to limit losses as sales dropped.

Machinery parts

Revenue for the current quarter decreased by RM1.16m to RM1.64m. The company was unable to obtain approval to operate during the MCO. The results also decreased by RM0.27m to LBT of RM0.17m for Q2'20 as compared to Q2'19.

B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements

B2 Variation of results against preceding quarter

	Current Quarter 30.06.2020	Immediate Preceding Quarter 31.03.2020	Changes	
	RM'000	RM'000	RM'000	%
Revenue	11,206	21,641	(10,435)	(48.2)
Gross profit	(895)	1,384	(2,279)	(164.7)
(Loss)/Profit before interest and tax	(2,208)	(3,957)	1,749	(44.2)
(Loss)/Profit before tax	(2,397)	(4,173)	1,776	(42.6)
Loss after taxation	(2,397)	(4,180)	1,783	42.7
Loss attributable to the owners of the company	(897)	(4,625)	3,728	80.6

The Group’s revenue for the reporting period recorded decrease of RM10.43m in comparison to the immediate preceding quarter (Q1’ 20”) was mainly due to:

- i) slow automotive sales in Malaysia and Indonesia
- ii) the enforcement of the MCO commencing 18th March 2020

Automotive parts

Revenue from the carpet segment from Malaysia experienced sharp decrease by RM6.04m (55.93%) to RM4.76m as compared to preceding quarter due to MCO plant shutdown. Cost reduction initiatives instituted from commencement of MCO manage to limit the losses for the current quarter to RM1.50m from LBT of RM1.10m in Q1’20.

For Indonesia, the operation experienced a fall in revenue of RM0.87m (82.79%) to RM0.18m (Q1’20 : RM1.05m). The severe drop in volume was due to customers shutting their production due to the Covid-19 pandemic. LBT for the reporting period was RM0.56m against a LBT of RM0.44m in the preceding quarter.

Revenue from braking components deteriorated by RM3.26m (41.33%) to RM4.63m was mainly due to MCO plant shut down from the commencement of the MCO till end May. There were minimum sales going into June and picking up progressively towards end June to local and overseas OEM customers. LBT for the reporting period was RM0.94m vs a LBT of RM0.02m for Q1’20. The losses were due to significant drop in volume during the MCO.

Machinery parts

Machinery parts segment recorded a reduction in revenue of RM0.28m to RM1.64m. As explained in B1 above, the company was unable to obtain approval to operate during the MCO.

B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements

B3 Prospects for 2020

Automotive parts

MAA industry forecast for 2020 (revised) are as follows:

Market segment	2020 Forecast	2019 Actual	Variance Units	%
Passenger vehicles	427,700	550,179	(122,479)	(22.3)
Commercial vehicles	42,300	54,108	(11,808)	(21.8)
Total vehicles	400,000	604,287	(204,287)	(33.8)

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

Machinery parts

Market conditions continues to be uncertain arising from COVID-19 pandemic and the MCO, Management expects demand and production to remain suppressed in coming months.

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 June 2020.

B5 Taxation

Income tax income/(expenses):	3 months period ended		Financial year ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Current year	-	51	(7)	(4)
- Prior year	-	-	-	-
Deferred tax:				
- Origination and reversal of temporary differences	-	-	-	-
	-	51	(7)	(4)

B6 Status of corporate proposals announced

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

B7 Notes to the Statements of Comprehensive Income

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

	3 months period ended		Financial year ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Interest income	6	16	13	24
Other income including investment income	117	108	196	492
Gain on disposal of investment properties	-	-	-	5,538
Interest expenses	(195)	(292)	(418)	(576)
Depreciation and amortisation	(1,869)	(1,777)	(3,518)	(3,353)
Development cost	(202)	(134)	(451)	(363)
Net foreign currency exchange loss	1,240	251	62	126

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 June 2020.

B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements

B8 Group borrowings

Secured:-	As at 30 June 2020			As at 30 June 2019		
	Long term	Short term	Total	Long term	Short term	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revolving credit	-	8,922	8,922	-	13,955	13,955
Term loans	4,317	428	4,745	6,197	585	6,782
	<u>4,317</u>	<u>9,350</u>	<u>13,667</u>	<u>6,197</u>	<u>14,540</u>	<u>20,737</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 revolving credit and term loans bears interest rate range from 5.31% to 5.81% and 4.72% per annum respectively.

B9 Material litigation

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

B10 Dividend

The Board of Directors does not recommend any dividend for the current period ended 30 June 2020.

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

	For the quarter ended 30.06.2020 RM'000	For the cumulative 6 months ended 30.06.2020 RM'000
Loss attributable to Owners of the Company	(897)	(5,522)
Loss attributable to Non-Controlling Interests	(1,500)	(1,055)
Loss for the period	<u>(2,397)</u>	<u>(6,577)</u>
Weighted average number of ordinary shares	<u>42,163</u>	<u>42,163</u>
Basic earnings per share (sen)	<u>(2.13)</u>	<u>(13.10)</u>

There were no dilutive potential ordinary shares outstanding as at 30 June 2020 and that of the previous financial year. As a result, there were no diluted earnings per share for the financial period ended 30 June 2020 and the previous financial period.