

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

Interim Financial Report
31 December 2020

Unaudited Condensed Consolidated Statements of Financial Position

	Note	As at 31 December 2020 RM'000	As at 31 December 2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		34,998	34,664
Right-of-use assets		14,692	15,631
Investment properties		844	857
Deferred tax assets		72	92
Total non-current assets		50,606	51,244
Current assets			
Inventories		18,353	18,849
Tax recoverable		514	348
Trade and other receivables		27,636	26,982
Prepayments		486	1,216
Cash and cash equivalents		17,026	13,978
Total current assets		64,015	61,373
TOTAL ASSETS		114,621	112,617
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		7,958	12,855
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		56,457	61,354
Non-controlling interest		13,861	14,293
Total equity		70,318	75,647
Non-current liabilities			
Loans and borrowings	B8	4,103	4,531
Lease liabilities		1,148	910
Deferred tax liabilities		276	155
Total non-current liabilities		5,527	5,596
Current liabilities			
Loans and borrowings	B8	9,352	9,890
Lease liabilities		228	528
Trade and other payables		29,047	20,839
Tax payable		149	117
Total current liabilities		38,776	31,374
Total liabilities		44,303	36,970
TOTAL EQUITY AND LIABILITIES		114,621	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 Year Ended 31 December 2020

	Note	3 months period ended 31 December		12 months year ended 31 December	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Continuing operations					
Revenue		37,094	33,768	101,341	125,738
Cost of sale		(33,510)	(29,888)	(92,666)	(114,235)
Gross profit		3,584	3,880	8,675	11,503
Operating expenses		(2,121)	(4,442)	(13,610)	(17,706)
Other operating income		336	1,188	929	8,691
Operating profit/(loss)		1,799	626	(4,006)	2,488
Finance costs		(253)	(346)	(836)	(1,243)
Interest income		4	6	22	35
Profit/(Loss) before taxation		1,550	286	(4,820)	1,280
Tax expenses	B5	(70)	(624)	(197)	(305)
Profit/(Loss) after taxation		1,480	(338)	(5,017)	975
Profit/(Loss) for the period		1,480	(338)	(5,017)	975
Other comprehensive income/(loss), net of tax item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		316	(47)	(312)	153
Total comprehensive income/(loss) for the period		1,796	(385)	(5,329)	1,128
Profit/(Loss) attributable to:					
Owners of the Company		1,031	(1,055)	(4,586)	821
Non-controlling interests		449	717	(431)	154
		1,480	(338)	(5,017)	975
Total comprehensive income/(loss) attributable to:					
Owners of the Company		1,350	(1,099)	(4,897)	975
Non-controlling interests		446	714	(432)	153
		1,796	(385)	(5,329)	1,128
Basic earnings/(loss) per ordinary share (sen)	B11	2.45	(2.50)	(10.88)	1.95

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 Year Ended 31 December 2020

	← Attributable to owners of the Company →						Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000		Retained profits RM'000	Total RM'000	
Non-distributable			Distributable				
At 1 January 2020	49,691	(1,192)	(408)	13,263	61,354	14,293	75,647
Other comprehensive loss for the financial year	-	-	(311)	-	(311)	(1)	(312)
Loss net of tax for the financial year	-	-	-	(4,586)	(4,586)	(431)	(5,017)
Total comprehensive loss for the financial year	-	-	(311)	(4,586)	(4,897)	(432)	(5,329)
At 31 December 2020	49,691	(1,192)	(719)	8,677	56,457	13,861	70,318
At 1 January 2019	49,691	(1,192)	(562)	12,442	60,379	14,671	75,050
Other comprehensive income/(loss) for the financial year	-	-	154	-	154	(1)	153
Profit net of tax for the financial year	-	-	-	821	821	154	975
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 Year Ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RM'000	RM'000
Cash Flows From Operating Activities		
(Loss)/Profit before tax	(4,820)	1,280
Adjustment for non-cash items:-		
Non-cash items arising from property, plant and equipment, right-of-use assets, and investment properties	7,697	922
Inventories written down	897	272
Reversal of inventories written down	-	(76)
Net impairment loss on trade receivables	80	(5)
Net impairment loss on other receivables	-	18
Interest income	(22)	(35)
Interest expense on borrowings	713	1,104
Interest expense on lease obligations	123	139
Unrealised loss on foreign currency exchange	249	(470)
Operating profit before working capital changes	<u>4,917</u>	<u>3,149</u>
Changes in working capital:-		
Inventories	(402)	(2,482)
Receivables	(247)	1,474
Payables	8,207	(2,658)
Cash generated from/(used in) operations	<u>12,475</u>	<u>(517)</u>
Interest paid	(37)	(42)
Tax refund	-	5,349
Tax paid	(173)	(945)
Net cash generated from operating activities	<u>12,265</u>	<u>3,845</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(6,634)	(5,480)
Interest received	22	35
Proceeds from disposal of investment properties	-	515
Proceeds from disposal of property, plant and equipment	134	9,868
Net cash (used in)/generated from investing activities	<u>(6,478)</u>	<u>4,938</u>
Cash Flows From Financing Activities		
Net repayment of borrowings	(436)	(7,118)
Interest paid	(791)	(1,201)
Repayment of lease liabilities	(681)	(601)
Dividend paid	-	(531)
Net cash used in financing activities	<u>(1,908)</u>	<u>(9,451)</u>
Effect of exchange rate changes	(300)	(293)
Net increase/(decrease) in cash and cash equivalents	3,579	(961)
Cash and cash equivalents brought forward	13,447	14,408
Cash and cash equivalents carried forward	<u>@ 17,026</u>	<u>13,447</u>
@ Cash and cash equivalents comprises of the following:-		
Deposits placed with licensed banks	15	15
Cash and bank balances	17,011	13,963
Bank overdrafts	-	(531)
	<u>17,026</u>	<u>13,447</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 Year Ended 31 December 2020

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 December 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 157,874 new registrations for the quarter ended 31 December 2020, which represents a 8.09% increase as compared to 146,059 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

Save as disclosed in the second quarter with regards to the imposition of the Movement Control Order ("MCO") commencing 18th March 2020 (and subsequently the Conditional MCO) in response to the Covid-19 pandemic there were no unusual items which affected the 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 the Interim Financial Report on Consolidated Results for the Year Ended 31 December 2020

A9 Segmental reporting

Segmental analysis of the results and assets employed for the year ended 31 December 2020:

Business segments	Automotive	Machinery	Others	Consolidated
	Parts RM'000	Parts RM'000	Parts RM'000	
Revenue from external customers	93,462	7,879	-	101,341
Segment results	(2,835)	(723)	(448)	(4,006)
Interest income				22
Finance costs				(836)
Loss before taxation				(4,820)
Tax expenses				(197)
Loss after taxation				(5,017)
Exchange differences on translation of foreign operations				(312)
Total comprehensive loss for the year				(5,329)
Segment assets	94,778	14,557	4,700	114,035
Unallocated corporate assets	303	248	35	586
Total assets				114,621
Segment liabilities	41,147	1,673	1,058	43,878
Unallocated corporate liabilities	332	-	93	425
Total liabilities				44,303
Capital expenditure	6,611	23	-	6,634
Depreciation and amortisation	7,048	263	410	7,721

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 31 December 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 31.12.2020 RM'000	As at 31.12.2019 RM'000
Plant and equipment contracted but not provided for in the financial statements	543	8,065

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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**

	<u>Individual Period</u>				<u>Cumulative Period</u>			
	<u>Current</u>		<u>Preceding</u>		<u>Current</u>		<u>Preceding</u>	
	Year		Year		Year		Year	
	31.12.2020		31.12.2019		31.12.2020		31.12.2019	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	37,094	33,768	3,326	9.8	101,341	125,738	(24,397)	(19.4)
Gross profit	3,584	3,880	(296)	(7.6)	8,675	11,503	(2,828)	(24.6)
Profit/(Loss) before interest and taxation	1,799	626	1,173	187.4	(4,006)	2,488	(6,494)	N/M
Profit/(Loss) before taxation	1,550	286	1,264	442.0	(4,820)	1,280	(6,100)	N/M
Profit/(Loss) after taxation	1,480	(338)	1,818	N/M	(5,017)	975	(5,992)	N/M
Profit/(Loss) attributable to the owners of the company	1,031	(1,055)	2,086	N/M	(4,586)	821	(5,407)	N/M

Note: N/M = not meaningful

The Group reported revenue of RM37.09m and profit before tax ("PBT") of RM1.80m for the current quarter ("Q4'20") as compared to revenue of RM33.77m and PBT of RM0.29m respectively achieved in the previous year corresponding quarter ("Q4'19").

Note : As reported previously (Q4'19); the cumulative year to date 31 Dec 2019 results include gains made on disposal of investment properties, property, plant and equipment which amounted to RM6.88m.

Automotive parts

Revenue from the carpet segment in Malaysia increased by RM0.58m to RM20.10m which was mainly contributed by increased demand by major customers. The segment recorded a PBT of RM0.35m compared to RM1.24m in the Q4'19 mainly due to product mix and inventories written down (RM0.28m).

In Indonesia, revenue decreased by RM0.46m to RM0.78m as compared to previous year corresponding quarter mainly due to drop in demand from SGMW.

Braking component segment increased significantly in revenue for the current quarter; from RM10.72m in Q4'19 to RM14.62m for the reporting period. PBT for the period was RM0.75m (Q4'19 : RM0.50m). Post MCO local sales came back strongly; especially for Proton, with the new X50 and X70 models. Volumes for the export market (Toyota Thailand) also saw improvements.

Machinery parts

Revenue for Q4'20 increased by RM0.17m to RM1.60m. Loss before tax ("LBT") increased by RM0.22m to RM0.48m for Q4'20 as compared to Q4'19 mainly due to inventories written down of RM0.35m.

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

B2 Variation of results against preceding quarter

	Current Quarter 31.12.2020 RM'000	Immediate Preceding Quarter 30.09.2020 RM'000	Changes	
			RM'000	%
Revenue	37,094	31,400	5,694	18.1
Gross profit	3,584	4,602	(1,018)	(22.1)
Profit before interest and taxation	1,799	360	1,439	399.7
Profit before taxation	1,550	200	1,350	675.0
Profit after taxation	1,480	80	1,400	1,750.0
Profit/(Loss) attributable to the owners of the company	1,031	(95)	1,126	N/M

Note: N/M = not meaningful

The Group's revenue for the reporting period recorded RM5.69m increase in comparison to immediate preceding quarter ("Q3'2020") mainly due to increase in both local and export automotive sales.

Automotive parts

The carpet segment (Malaysia) recorded an increase in revenue of RM3.88m to RM20.10m as compared to preceding quarter (Q3'20 : RM16.22m). The segment recorded a PBT of RM0.35m compared to RM0.94m in the Q3'20 . As per note B1, inventories written down in Q4'20 amounted to RM0.28m.

Revenue from the Indonesia operations improved by RM0.30m to RM0.78m was compared to preceding quarter mainly due to increased sales for Daihatsu and Isuzu.

Revenue from braking components increased by RM2.63m to RM14.62m for the reporting period as compared to the preceding quarter mainly due to increased local sales from Proton (X50 model). PBT for the reporting period was RM0.75m against a PBT of RM0.87m for Q3'20 due to product mix.

Machinery parts

Machinery parts segment recorded a significant drop in revenue of RM1.12m to RM1.60m, attributed to slow down in orders and backlog orders being met in Q3'20 after relaxation of the MCO restrictions. As such, the segment recorded a loss of RM0.48m (Q3'20 : PBT RM0.18m).

B3 Prospects for 2021

Automotive parts

MAA industry forecast for 2021 are as follows:

Market segment	2021 Forecast	2020 Actual	Variance Units	%
Passenger vehicles	513,000	480,965	32,035	6.7
Commercial vehicles	57,000	48,469	8,531	17.6
Total vehicles	570,000	529,434	40,566	7.7

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. Prevailing conditions will limit maintenance jobs and projects availability.

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

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 31 December 2020.

B5 Taxation

	3 months period ended		Financial year ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Income tax (expenses)/income:	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Current year	(76)	(863)	(83)	(454)
- Prior year	130	90	10	90
Deferred tax:				
- Origination and reversal of temporary differences	(124)	149	(124)	59
	<u>(70)</u>	<u>(624)</u>	<u>(197)</u>	<u>(305)</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 Statements of Comprehensive Income

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

	3 months period ended		Financial year ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Interest income	4	6	22	35
Other income including investment income	336	392	929	1,195
Gain on disposal of investment properties	-	754	-	(6,585)
Interest expenses	(253)	(346)	(836)	(1,243)
Depreciation and amortisation	(2,131)	(2,548)	(7,721)	(7,803)
Development cost	(271)	(245)	(788)	(660)
Net foreign currency exchange loss	171	(226)	(468)	(692)

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 31 December 2020.

B8 Group borrowings

Secured:-	As at 31 December 2020			As at 31 December 2019		
	Long term	Short term	Total	Long term	Short term	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank overdraft	-	-	-	-	531	531
Revolving credit	-	8,923	8,923	-	8,931	8,931
Term loans	4,103	429	4,532	4,531	428	4,959
	<u>4,103</u>	<u>9,352</u>	<u>13,455</u>	<u>4,531</u>	<u>9,890</u>	<u>14,421</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 4.43% to 5.81% and from 3.47% to 4.72% per annum respectively.

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

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 year ended 31 December 2020.

B11 Basic earnings/(loss) 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 31.12.2020 RM'000	For the cumulative 12 months ended 31.12.2020 RM'000
Profit/(Loss) attributable to Owners of the Company	1,031	(4,586)
Profit/(Loss) attributable to Non-Controlling Interests	449	(431)
Profit/(Loss) for the period	<u>1,480</u>	<u>(5,017)</u>
Weighted average number of ordinary shares	<u>42,163</u>	<u>42,163</u>
Basic earnings/(loss) per share (sen)	<u>2.45</u>	<u>(10.88)</u>

There were no dilutive potential ordinary shares outstanding as at 31 December 2020 and that of the previous financial year. As a result, there were no diluted earnings per share for the financial year ended 31 December 2020 and the previous financial year.