

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

Interim Financial Report
30 September 2021

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

Unaudited Condensed Consolidated Statements of Financial Position

	Note	As at 30 September 2021 RM'000	As at 31 December 2020 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		33,001	34,328
Right-of-use assets		14,705	14,931
Investment properties		834	844
Deferred tax assets		30	29
Total non-current assets		48,570	50,132
Current assets			
Inventories		22,658	18,351
Tax recoverable		564	514
Trade and other receivables		13,911	27,783
Prepayments		598	636
Cash and cash equivalents		9,413	17,026
Total current assets		47,144	64,310
TOTAL ASSETS		95,714	114,442
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		5,728	8,197
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		54,227	56,696
Non-controlling interest		13,340	13,861
Total equity		67,567	70,557
Non-current liabilities			
Loans and borrowings	B8	3,781	4,103
Lease liabilities		330	710
Deferred tax liabilities		276	276
Provision		66	65
Total non-current liabilities		4,453	5,154
Current liabilities			
Loans and borrowings	B8	9,348	9,352
Lease liabilities		625	588
Trade and other payables		13,680	28,647
Tax payable		41	144
Total current liabilities		23,694	38,731
Total liabilities		28,147	43,885
TOTAL EQUITY AND LIABILITIES		95,714	114,442
Net assets per share (RM)		1.21	1.27

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 2020 and the accompanying explanatory notes to the interim financial reports.

Interim Financial Report
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Unaudited Condensed Consolidated Statements of Comprehensive Income for the Period Ended 30 September 2021

	Note	3 months period ended 30 September		9 months period ended 30 September	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Continuing operations					
Revenue		15,853	31,400	73,286	64,247
Cost of sale		(16,021)	(26,798)	(67,598)	(59,156)
Gross (loss)/profit		(168)	4,602	5,688	5,091
Operating expenses		(2,745)	(4,639)	(9,771)	(11,489)
Other operating income		606	397	1,306	593
Operating (loss)/profit		(2,307)	360	(2,777)	(5,805)
Finance costs		(187)	(165)	(531)	(583)
Interest income		1	5	6	18
(Loss)/Profit before taxation		(2,493)	200	(3,302)	(6,370)
Tax expenses	B5	(38)	(120)	(38)	(127)
(Loss)/Profit after taxation		(2,531)	80	(3,340)	(6,497)
(Loss)/Profit for the period		(2,531)	80	(3,340)	(6,497)
Other comprehensive loss, net of tax Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		359	(1,101)	350	(628)
Total comprehensive loss for the period		(2,172)	(1,021)	(2,990)	(7,125)
(Loss)/Profit attributable to:					
Owners of the Company		(2,131)	(95)	(2,819)	(5,617)
Non-controlling interests		(400)	175	(521)	(880)
		(2,531)	80	(3,340)	(6,497)
Total comprehensive loss attributable to:					
Owners of the Company		(1,773)	(1,196)	(2,470)	(6,247)
Non-controlling interests		(399)	175	(520)	(878)
		(2,172)	(1,021)	(2,990)	(7,125)
Basic loss per ordinary share (sen) B11		(5.05)	(0.23)	(6.69)	(13.32)

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 2020 and the accompanying explanatory notes to the interim financial reports.

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 30 September 2021

	← 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-controlling interests RM'000
Non-distributable			Distributable					
At 1 January 2021	49,691	(1,192)	(668)		8,865	56,696	13,861	70,557
Other comprehensive income for the financial period	-	-	350		-	350	-	350
Loss net of tax for the financial period	-	-	-		(2,819)	(2,819)	(521)	(3,340)
Total comprehensive income/(loss) for the financial period	-	-	350		(2,819)	(2,469)	(521)	(2,990)
At 30 September 2021	49,691	(1,192)	(318)		6,046	54,227	13,340	67,567
At 1 January 2020	49,691	(1,192)	(408)		13,263	61,354	14,293	75,647
Loss net of tax for the financial year	-	-	-		(4,398)	(4,398)	(431)	(4,829)
Other comprehensive loss for the financial year	-	-	(260)		-	(260)	(1)	(261)
Total other comprehensive loss for the financial year	-	-	(260)		(4,398)	(4,658)	(432)	(5,090)
At 31 December 2020	49,691	(1,192)	(668)		8,865	56,696	13,861	70,557

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 2020 and the accompanying explanatory notes to the interim financial reports.

Interim Financial Report
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Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 30 September 2021

	9 months period ended 30 September	
	2021	2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Loss before tax	(3,302)	(6,370)
Adjustment for non-cash items:-		
Non-cash items arising from property, plant and equipment, right-of-use assets, and investment properties	5,747	5,590
Bad debts written off	-	20
Provision for obsolete stocks	-	263
Interest income	(6)	(18)
Interest expense on borrowings	459	518
Interest expense on lease obligations	72	65
Unrealised gain on foreign currency exchange	59	534
Operating profit before working capital changes	<u>3,029</u>	<u>602</u>
Changes in working capital:-		
Inventories	(4,308)	1,772
Receivables	14,397	243
Payables	(15,512)	(2,362)
Cash (used in)/generated from operations	<u>(2,394)</u>	<u>255</u>
Interest paid	(72)	(31)
Tax paid	(191)	(101)
Net (used in)/cash generated from operating activities	<u>(2,657)</u>	<u>123</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(3,352)	(939)
Interest received	6	18
Proceeds from disposal of property, plant and equipment	24	-
Net cash used in investing activities	<u>(3,322)</u>	<u>(921)</u>
Cash Flows From Financing Activities		
Net repayment of borrowings	(325)	(303)
Interest paid	(459)	(487)
Repayment of lease liabilities	(599)	(534)
Net cash used in financing activities	<u>(1,383)</u>	<u>(1,324)</u>
Effect of exchange rate changes	(251)	214
Net decrease in cash and cash equivalents	(7,613)	(1,908)
Cash and cash equivalents brought forward	17,026	13,447
Cash and cash equivalents carried forward	<u>@ 9,413</u>	<u>11,539</u>
@ Cash and cash equivalents comprises of the following:-		
Deposits placed with licensed banks	15	15
Cash and bank balances	9,398	11,524
	<u>9,413</u>	<u>11,539</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 2020 and the accompanying explanatory notes to the interim financial reports.

A Notes to the Interim Financial Report on Consolidated Results for the Period 30 September 2021

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 2021 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 2020.

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 2020.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2020 was not subject to any qualifications.

A4 Seasonal or cyclical factors

The Malaysian Automotive Association ("MAA"), reported that passenger vehicles recorded 282,992 new registrations for the quarter ended 30 September 2021, which represents an 8.71% decrease as compared to 310,008 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") 3.0 commenced from 1st June 2021 to 15 August 2021 in response to the Covid-19 pandemic. The MCO required temporary closure of all businesses in Malaysia within the Group. In Indonesia, the businesses is remaining operate. 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 30 September 2021

A9 Segmental reporting

Segmental analysis of the results and assets employed for the period ended 30 September 2021:

Business segments	Automotive	Machinery	Others	Consolidated
	Parts RM'000	Parts RM'000	Parts RM'000	
Revenue from external customers	69,067	4,219	-	73,286
Segment results	(2,516)	(115)	(146)	(2,777)
Interest income				6
Finance costs				(531)
Loss before taxation				(3,302)
Tax expenses				(38)
Loss after taxation				(3,340)
Exchange differences on translation of foreign operations				350
Total comprehensive loss for the period				(2,990)
Segment assets	69,661	12,985	12,488	95,134
Unallocated corporate assets	275	283	22	580
Total assets				95,714
Segment liabilities	17,431	638	9,761	27,830
Unallocated corporate liabilities	317	-	-	317
Total liabilities				28,147
Capital expenditure	3,701	240	-	3,941
Depreciation and amortisation	5,152	213	320	5,685

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 2021 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 30.09.2021 RM'000	As at 30.09.2020 RM'000
Plant and equipment contracted but not provided for in the financial statements	1,166	1,841

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

B1 Review of performance

	Individual Period				Cumulative Period			
	Current Year	Preceding Year	Changes		Current Year	Preceding Year	Changes	
	Quarter	Quarter			Quarter	Quarter		
	30.09.2021	30.09.2020	RM'000	%	30.09.2021	30.09.2020	RM'000	%
Revenue	15,853	31,400	(15,547)	(49.5)	73,286	64,247	9,039	14.1
Gross (loss)/profit	(168)	4,602	N/M	N/M	5,688	5,091	597	11.7
(Loss)/Profit before interest and taxation	(2,307)	360	N/M	N/M	(2,777)	(5,805)	3,028	52.2
(Loss)/Profit before taxation	(2,493)	200	N/M	N/M	(3,302)	(6,370)	3,068	48.2
(Loss)/Profit after taxation	(2,531)	80	N/M	N/M	(3,340)	(6,497)	3,157	48.6
Loss attributable to the owners of the company	(2,131)	(95)	(2,036)	(2,143.2)	(2,819)	(5,617)	2,798	49.8

Note: N/M = not meaningful

The Group reported revenue of RM15.85m and loss before taxation (“LBT”) of RM2.50m for the current quarter (“Q3’21”) as compared to revenue of RM31.40m and profit before taxation (“PBT”) of RM0.20m respectively in the previous year’s corresponding quarter (“Q3’20”). The significant decrease in revenue is due to the temporary cessation of all businesses within the Group in Malaysia as a result of the enforcement of the MCO 3.0 from 1st June 2021 to 15th August 2021.

Automotive parts

Revenue from the carpet segment in Malaysia decreased significantly by RM9.33m to RM6.89m mainly contributed by the enforcement of the MCO 3.0. The segment recorded a LBT of RM1.62m compared to PBT of RM0.94m in Q3’20.

In Indonesia, revenue increased by RM1.07m to RM1.97m as compared to previous year corresponding quarter mainly due to increase in demand from Daihatsu, Isuzu and SGMW. LBT for the period was RM0.46m (Q3’20: LBT RM0.47m).

Braking component segment revenue decreased for the current quarter; from RM11.99m in Q3’20 to RM5.67m for the reporting quarter. LBT for the quarter was RM0.32m (Q3’20: PBT RM0.87m).

Machinery parts

Revenue for Q3’21 decreased from RM2.72m to RM1.31m mainly due to the impact from the Covid 19 pandemic. PBT decreased from RM0.18m for Q3’20 against a LBT of RM0.17m for Q3’21.

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

B2 Variation of results against preceding quarter

	Current Quarter 30.09.2021 RM'000	Immediate Preceding Quarter 30.06.2021 RM'000	Changes	
			RM'000	%
Revenue	15,853	22,687	(6,834)	(30.1)
Gross (loss)/profit	(168)	1,715	(1,883)	(109.8)
Loss before interest and taxation	(2,307)	(1,233)	(1,074)	87.1
Loss before taxation	(2,493)	(1,403)	(1,090)	77.7
Loss after taxation	(2,531)	(1,403)	(1,128)	80.4
Loss attributable to the owners of the company	(2,131)	(963)	(1,168)	121.3

Note: N/M = not meaningful

The Group's revenue for the reporting period recorded RM6.83m decrease in comparison to immediate preceding quarter ("Q2'2021") due to the enforcement of the MCO 3.0 from 1st June 2021 to 15th August 2021.

Automotive parts

The carpet segment in Malaysia recorded a decrease in revenue of RM3.47m to RM6.89m as compared to preceding quarter (Q2'21: RM10.36m). The segment recorded a LBT of RM1.62m from RM0.92m in Q2'21.

Revenue from the Indonesia operations slightly improved by RM0.26m to RM1.97m as compared to preceding quarter due to increase sales from Daihatsu.

Revenue from braking components decreased by RM3.78m to RM5.67m for the reporting period as compared to the preceding quarter. LBT for the reporting period was RM0.32m as compared of RM0.41m for Q2'21. Losses were kept from escalating as management pared down cost in view of the much-reduced volume.

Machinery parts

Machinery parts segment recorded an increase in revenue of RM0.14m to RM1.31m. The segment recorded a lower loss of RM0.17m (Q2'21: LBT RM0.93m).

B3 Prospects for 2021

Automotive parts

MAA industry forecast for 2021 (revised) are as follows:

Market segment	2021 Forecast	2020 Actual	Variance Units	%
Passenger vehicles	454,000	480,965	-26,965	(5.6)
Commercial vehicles	46,000	48,469	-2,469	(5.1)
Total vehicles	500,000	529,434	-29,434	(5.6)

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 due to the 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 or internal targets for the period ended 30 September 2021.

B5 Taxation

	3 months period ended		Financial period ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Income tax expenses:				
Current income tax:				
- Current year	(38)	-	(38)	(127)
- Prior year	-	(120)	-	-
	<u>(38)</u>	<u>(120)</u>	<u>(38)</u>	<u>(127)</u>

The effective tax rate for the financial period under review was lower than the statutory tax rate due to availability of tax incentives in certain subsidiaries.

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

	3 months period ended		Financial period ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Interest income	1	5	6	18
Other income including investment income	606	397	1,306	593
Interest expenses	(187)	(165)	(531)	(583)
Depreciation and amortisation	(1,942)	(2,072)	(5,685)	(5,590)
Development cost	132	(67)	(400)	(517)
Net foreign currency exchange gain/(loss)	311	(701)	153	(639)

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 2021.

B8 Group borrowings

Secured:-	As at 30 September 2021			As at 30 September 2020		
	Long term	Short term	Total	Long term	Short term	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank overdraft	-	-	-	-	31	31
Revolving credit	-	8,920	8,920	-	8,919	8,919
Term loans	3,781	428	4,209	4,210	428	4,638
	<u>3,781</u>	<u>9,348</u>	<u>13,129</u>	<u>4,210</u>	<u>9,378</u>	<u>13,588</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 4.44% to 4.45% and 3.47% 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 period ended 30 September 2021.

B11 Basic 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 30.09.2021 RM'000	For the cumulative 9 months ended 30.09.2021 RM'000
Loss attributable to Owners of the Company	(2,131)	(2,819)
Loss attributable to Non-Controlling Interests	(400)	(521)
Loss for the period	<u>(2,531)</u>	<u>(3,340)</u>
Weighted average number of ordinary shares	<u>42,163</u>	<u>42,163</u>
Basic loss per share (sen)	<u>(5.05)</u>	<u>(6.69)</u>

There were no dilutive potential ordinary shares outstanding as at 30 September 2021 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.