

SMIS Corporation Berhad

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

Interim Financial Report
30 June 2023

Interim Financial Report
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 June 2023 RM'000	As at 31 December 2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		28,298	27,048
Right-of-use assets		13,694	12,947
Deferred tax assets		25	23
Total non-current assets		42,017	40,018
Current assets			
Inventories		24,390	22,852
Tax recoverable		1,104	805
Trade and other receivables		26,780	30,330
Prepayments		1,397	937
Cash and cash equivalents		20,432	25,028
Total current assets		74,103	79,952
TOTAL ASSETS		116,120	119,970
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		27,805	24,174
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		76,304	72,673
Non-controlling interest		15,813	14,969
Total equity		92,117	87,642
Non-current liabilities			
Loans and borrowings	B8	3,032	3,246
Lease liabilities		210	313
Deferred tax liabilities		823	823
Provision		65	59
Total non-current liabilities		4,130	4,441

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Unaudited Condensed Consolidated Statements of Financial Position (Continued)

	Note	As at 30 June 2023 RM'000	As at 31 December 2022 RM'000
Current liabilities			
Loans and borrowings	B8	428	428
Lease liabilities		326	393
Trade and other payables		19,119	27,066
Total current liabilities		19,873	27,887
Total liabilities		24,003	32,328
TOTAL EQUITY AND LIABILITIES		116,120	119,970
Net assets per share (RM)		1.70	1.62

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 2022 and the accompanying explanatory notes to the interim financial reports.

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Unaudited Condensed Consolidated Statements of Comprehensive Income for the Period Ended 30 June 2023

	Note	3 months period ended 30 June		6 months period ended 30 June	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue		36,112	36,120	77,960	71,597
Cost of sale		(32,291)	(31,236)	(68,878)	(61,385)
Gross profit		3,821	4,884	9,082	10,212
Operating expenses		(3,550)	(3,452)	(7,501)	(6,860)
Other operating income		109	(5)	344	269
Operating profit		380	1,427	1,925	3,621
Finance costs		(50)	(163)	(106)	(327)
Interest income		18	2	38	3
Profit before taxation		348	1,266	1,857	3,297
Tax expenses	B5	(85)	6	(85)	(79)
Profit for the period		263	1,272	1,772	3,218
Other comprehensive income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		1,155	173	2,002	291
Total other comprehensive income for the period, net of tax		1,155	173	2,002	291
Total comprehensive income for the period		1,418	1,445	3,774	3,509
(Loss)/Profit attributable to:					
Owners of the Company		(73)	702	995	2,128
Non-controlling interests		336	570	777	1,090
		263	1,272	1,772	3,218
Total comprehensive income attributable to:					
Owners of the Company		1,067	875	2,972	2,419
Non-controlling interests		351	570	802	1,090
		1,418	1,445	3,774	3,509
Basic (loss)/earnings per ordinary share (sen)	B11	(0.17)	1.66	2.36	5.05

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 2022 and the accompanying explanatory notes to the interim financial reports.

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 30 June 2023

	← Attributable to owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	<i>Non-distributable</i> Foreign currency translation reserve RM'000	<i>Distributable</i> Retained profits RM'000			
At 1 January 2023	49,691	(1,192)	(764)	24,938	72,673	14,969	87,642
Profit net of tax for the financial period	-	-	-	995	995	777	1,772
Other comprehensive income for the financial period	-	-	1,977	-	1,977	25	2,002
Total comprehensive income for the financial year	-	-	1,977	995	2,972	802	3,774
Dividend paid on shares	-	-	-	-	-	(191)	(191)
Changes in ownership interests in subsidiaries	-	-	-	659	659	233	892
Total transaction with owners of the Company	-	-	-	659	659	42	701
At 30 June 2023	49,691	(1,192)	1,213	26,592	76,304	15,813	92,117

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 30 June 2023

	← Attributable to 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			
At 1 January 2022	49,691	(1,192)	(343)	6,483	54,639	13,776	68,415
Profit net of tax for the financial year	-	-	-	18,453	18,453	1,195	19,648
Other comprehensive loss for the financial year	-	-	(421)	-	(421)	-	(421)
Total other comprehensive (loss)/income for the financial year	-	-	(421)	18,453	18,032	1,195	19,227
Changes in ownership interests in subsidiaries	-	-	-	2	2	(2)	-
Total transaction with owners of the Company	-	-	-	2	2	(2)	-
At 31 December 2022	49,691	(1,192)	(764)	24,938	72,673	14,969	87,642

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 2022 and the accompanying explanatory notes to the interim financial reports.

**Unaudited Condensed Consolidated Statement of Cash Flows for the
Period Ended 30 June 2023**

	6 months period ended 30 June	
	2023	2022
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	1,857	3,297
Adjustment for non-cash items:-		
Non-cash items arising from property, plant and equipment, right-of-use assets, and investment properties	3,271	3,570
Gain from disposal of property, plant and equipment	-	(75)
Gain from disposal of investment property	-	(240)
Reversal of inventories written down	(548)	(825)
Interest income	(38)	(2)
Interest expense on borrowings	96	295
Interest expense on lease obligations	10	33
Unrealised (gain)/loss on foreign currency exchange	(208)	(102)
Operating profit before working capital changes	4,440	5,951
Changes in working capital:-		
Inventories	(990)	(331)
Receivables	3,298	4,485
Payables	(7,941)	(6,077)
Cash (used in)/generated from operations	(1,193)	4,028
Interest paid	(10)	(33)
Tax paid	(383)	(100)
Net cash (used in)/generated from operating activities	(1,586)	3,895
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(3,672)	(2,685)
Interest received	38	2
Proceeds from disposal of investment property	-	842
Net cash used in investing activities	(3,634)	(1,841)
Cash Flows From Financing Activities		
Proceeds from equity interest to non-controlling interests	892	-
Net repayment of borrowings	(214)	(2,222)
Interest paid	(96)	(295)
Repayment of lease liabilities	(171)	(5)
Dividend paid to non-controlling interests in subsidiary	(191)	-
Net cash generated from/(used in) financing activities	220	(2,522)

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**Unaudited Condensed Consolidated Statement of Cash Flows for the
Period Ended 30 June 2023 (Continued)**

	6 months period ended 30 June	
	2023	2022
	RM'000	RM'000
Effect of exchange rate changes	404	91
Net decrease in cash and cash equivalents	(4,596)	(377)
Cash and cash equivalents brought forward	25,028	13,967
Cash and cash equivalents carried forward	<u>20,432</u>	<u>13,590</u>
	<u>20,432</u>	<u>13,590</u>
@ Cash and cash equivalents comprise of the following:-		
Cash and bank balances	20,432	13,590
	<u>20,432</u>	<u>13,590</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 2022 and the accompanying explanatory notes to the interim financial reports.

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**A Notes to the Interim Financial Report on Consolidated Results
for the Period Ended 30 June 2023**

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2023 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 2022.

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 2022.

A3 Auditors’ report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2022 was not subject to any qualifications.

A4 Seasonal or cyclical factors

The Malaysian Automotive Association (“MAA”), reported that passenger vehicles recorded 326,661 new registrations for the period ended 30 June 2023, which represents a 11.20% increase as compared to 293,752 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 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.

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**A Notes to the Interim Financial Report on Consolidated Results
for the Period Ended 30 June 2023**

A9 Segmental reporting

Segmental analysis of the results and assets employed for the year ended 30 June 2023:

Business segments	Automotive	Machinery	Others	Consolidated
	Parts RM'000	Parts RM'000	RM'000	
Revenue from external customers	74,637	3,323	-	77,960
Segment results	1,873	190	(138)	1,925
Interest income				38
Finance costs				(106)
Profit before taxation				1,857
Tax expenses				(85)
Loss from continuing operations, net of tax				1,772
Loss from discontinued operation, net of tax				-
Profit after taxation				1,772
Exchange differences on translation of foreign operations				2,002
Total comprehensive income for the period				3,774
Segment assets	83,836	18,402	12,754	114,992
Unallocated corporate assets	431	661	36	1,128
Total assets				116,120
Segment liabilities	21,221	653	1,307	23,181
Unallocated corporate liabilities	822	-	-	822
Total liabilities				24,003
Capital expenditure	73	-	-	73
Depreciation and amortisation	3,009	153	109	3,271

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 2023 to the date of this announcement.

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**A Notes to the Interim Financial Report on Consolidated Results
for the Period Ended 30 June 2023**

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 30.06.2023 RM'000	As at 30.06.2022 RM'000
Plant and equipment contracted but not provided for in the financial statements	178	1,137

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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	RM'000	%	Quarter	Quarter	RM'000	%
	30.06.2023	30.06.2022			30.06.2023	30.06.2022		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	36,112	36,120	(8)	(0.0)	77,960	71,597	6,363	8.9
Gross profit	3,821	4,884	(1,063)	(21.8)	9,082	10,212	(1,130)	(11.1)
Profit before interest and taxation	380	1,427	(1,047)	(73.4)	1,925	3,621	(1,696)	46.8
Profit before taxation	348	1,266	(918)	(72.5)	1,857	3,297	(1,440)	43.7
Profit after taxation	263	1,272	(1,009)	(79.3)	1,772	3,218	(1,446)	44.9
(Loss)/Profit attributable to the owners of the company	(73)	702	(775)	N/M	995	2,128	(1,133)	53.2

Note: N/M = not meaningful

The Group reported revenue of RM36.11m and profit before taxation (“PBT”) of RM0.35m for the current quarter (“Q2'23”) as compared to revenue of RM36.12m and PBT of RM1.27m recorded in the previous year's corresponding quarter (“Q2'22”). The revenue in Q2'23 remained consistent as compared to Q2'22, in line with the sales report published by MAA, where the new registered passenger vehicles recorded at 154,706 for Q2'23 and 153,160 for Q2'22. Despite the revenue having remained consistent, Q2'23 recorded a lower PBT compared to Q2'22 which was mainly due to the impact of rising labour cost and other variable costs.

Automotive parts

Revenue from the carpet segment in Malaysia increased by RM1.33m to RM19.70m mainly contributed by increased demand from major customers, Mazda and Proton. Despite the increase in revenue, the segment recorded a lower PBT of RM1.09m compared to PBT of RM1.54m in Q2'22 as a result of lower product mix margin and the increase in costs of material and consumables.

In Indonesia, the revenue increased by RM1.80m to RM4.91m mainly due to increase in demand from Daihatsu and Hyundai. It recorded a loss before taxation (“LBT”) of RM0.16m due to increase in staff costs.

Revenue from braking component decreased by RM2.50m to RM10.28m due to decrease in sales to Honda. The segment recorded a LBT of RM0.49m compared to LBT of RM0.17m in Q2'22 as a result of decrease in sales and the increase in costs of material.

Machinery parts

Revenue for Q2'23 decreased by RM0.64m to RM1.22m. It recorded a lower PBT of RM0.02m compared to PBT RM0.27m in Q2'22 as a result of a decrease in sales.

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

B2 Variation of results against preceding quarter

	Current Quarter 30.06.2023 RM'000	Immediate Preceding Quarter 31.03.2023 RM'000	Changes	
			RM'000	%
Revenue	36,112	41,848	(5,736)	(13.7)
Gross profit	3,821	5,261	(1,440)	(27.4)
Profit before interest and taxation	380	1,545	(1,165)	(75.4)
Profit before taxation	348	1,509	(1,161)	(76.9)
Profit after taxation	263	1,509	(1,246)	(82.6)
(Loss)/Profit attributable to the owners of the company	(73)	1,068	(1,141)	N/M

Note: N/M = not meaningful

The Group’s revenue for the reporting period has decreased by RM5.74m in comparison to the immediate preceding quarter ("Q1'23") which due to deadline of the delivery of SST exemption bookings on 31 March 2023 and shorter working month in April 2023 due to festive Hari Raya Aidilfitri. As per the sales report from MAA, the new registered passenger vehicles recorded at 154,706 for current quarter, which is 10.03% lower as compared to 171,955 in Q1'23. It recorded a lower PBT of RM0.35m as compared to Q1'23 of RM1.51m as a result of decrease in sales.

Automotive parts

Revenue from the carpet segment in Malaysia decreased by RM1.99m to RM19.70m as compared to Q1'23. The segment recorded a PBT of RM1.09m compared to PBT of RM1.25m in Q1'23 as a result of decrease in sales which due to the end of delivery of SST exemption bookings and the shorter working month in April 2023.

In Indonesia, the revenue increased slightly by RM0.69m to RM4.91m as compared to Q1'23. Despite the increase in revenue, it recorded a LBT of RM0.16m Q2'23 due to increase in labour cost.

Revenue from braking component decreased by RM3.56m to RM10.28m as compared to Q1'23 mainly due to decrease in sales to Proton and AH Brake Thailand due to shorter working months in April 2023. The segment recorded a LBT of RM0.49m compared to PBT of RM0.08m in Q1'23 as a result of a decrease in sales.

Machinery parts

Revenue for Q2'23 decreased by RM0.88m to RM1.22m. It recorded a PBT of RM0.02m compared to PBT of RM0.20m in Q1'23 as a result of a decrease in sales.

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

B3 Prospects for 2023

Automotive parts

Malaysian Automotive Association (“MAA”) industry forecast for 2023 are as follows:

Market segment	2023	2023	2022	Variance	
	Original Forecast	Revised Forecast	Actual	Units	%
Passenger vehicles	585,000	652,500	641,773	10,727	1.7
Commercial vehicles	65,000	72,500	78,885	(6,385)	(8.1)
Total vehicles	650,000	725,000	720,658	4,342	0.6

On 20 July 2023, the MAA released the revised forecast for the Total Industry Volume for year 2023, with the expectation of continuation upwards momentum in Malaysia for the year.

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

Machinery parts

Management remains cautious in the current challenging environment and will continue to strive to pursue sales for the following quarters.

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 June 2023.

B5 Taxation

	3 months period ended		Financial period ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Income tax expenses:				
Current income tax:				
- Current year	85	-	85	-
- Prior year	-	-	-	-
Deferred tax:				
- Origination and reversal of temporary differences	-	(6)	-	50
Real property gain tax	-	-	-	29
	<u>85</u>	<u>(6)</u>	<u>85</u>	<u>79</u>

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

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

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

	3 months period ended		Financial period ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Interest income	18	2	38	3
Other income including investment income	40	120	61	207
Gain on disposal of investment property	-	(16)	-	238
Interest expenses	(50)	(163)	(106)	(327)
Reversal of inventories written down	548	825	548	825
Depreciation and amortisation	(1,637)	(1,880)	(3,271)	(3,570)
Development cost	(504)	(112)	(619)	(536)
Net foreign currency exchange loss	(75)	(109)	(51)	(175)

Other than the above, there was no gain or loss on disposal of quoted or unquoted investments, gain or loss on derivatives and exceptional items included in the results for the current period ended 30 June 2023.

B8 Group borrowings

Secured:-	As at 30 June 2023			As at 30 June 2022		
	Long term	Short term	Total	Long term	Short term	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revolving credit	-	-	-	-	6,914	6,914
Term loans	3,032	428	3,460	3,460	428	3,888
	<u>3,032</u>	<u>428</u>	<u>3,460</u>	<u>3,460</u>	<u>7,342</u>	<u>10,802</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.

B9 Material litigation

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

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

B10 Dividend

The Board of Directors does not recommend any dividend for the current period ended 30 June 2023.

B11 Basic earnings per ordinary share

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

	For the quarter ended 30.06.2023 RM'000
Profit attributable to Owners of the Company	(73)
Profit attributable to Non-Controlling Interests	336
Profit for the period	<u>263</u>
Weighted average number of ordinary shares	<u>42,163</u>
Basic earnings per share (sen)	<u>(0.17)</u>

There were no dilutive potential ordinary shares outstanding as at 30 June 2023 and that of the previous financial year. As a result, there were no diluted earnings per share for the financial period ended 30 June 2023 and the previous financial period.