

SMIS Corporation Berhad

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

Interim Financial Report
30 September 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 September 2023 RM'000	As at 31 December 2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		28,052	27,048
Right-of-use assets		16,579	12,947
Deferred tax assets		24	23
Total non-current assets		44,655	40,018
Current assets			
Inventories		22,444	22,852
Tax recoverable		665	805
Trade and other receivables		25,454	30,330
Prepayments		1,016	937
Cash and cash equivalents		25,955	25,028
Total current assets		75,534	79,952
TOTAL ASSETS		120,189	119,970
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		27,730	24,174
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		76,229	72,673
Non-controlling interest		16,511	14,969
Total equity		92,740	87,642
Non-current liabilities			
Loans and borrowings	B8	2,925	3,246
Lease liabilities		2,316	313
Deferred tax liabilities		823	823
Provision		63	59
Total non-current liabilities		6,127	4,441

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Unaudited Condensed Consolidated Statements of Financial Position (Continued)

	Note	As at 30 September 2023 RM'000	As at 31 December 2022 RM'000
Current liabilities			
Loans and borrowings	B8	428	428
Lease liabilities		913	393
Trade and other payables		19,981	27,066
Total current liabilities		21,322	27,887
Total liabilities		27,449	32,328
TOTAL EQUITY AND LIABILITIES		120,189	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 September 2023

	Note	3 months period ended 30 September		9 months period ended 30 September	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Continuing operations					
Revenue		40,555	41,098	118,515	112,695
Cost of sale		(35,340)	(35,949)	(104,218)	(97,334)
Gross profit		5,215	5,149	14,297	15,361
Operating expenses		(4,079)	(3,603)	(11,580)	(10,463)
Other operating income		145	17,378	489	17,647
Operating profit		1,281	18,924	3,206	22,545
Finance costs		(76)	(165)	(182)	(492)
Interest income		70	5	108	8
Profit before taxation		1,275	18,764	3,132	22,061
Tax expenses	B5	(215)	(1,533)	(300)	(1,612)
Profit for the period		1,060	17,231	2,832	20,449
Other comprehensive income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(437)	384	1,565	675
Total other comprehensive (loss)/income for the period, net of tax		(437)	384	1,565	675
Total comprehensive income for the period		623	17,615	4,397	21,124
Profit attributable to:					
Owners of the Company		356	16,939	1,351	19,067
Non-controlling interests		704	292	1,481	1,382
		1,060	17,231	2,832	20,449
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(75)	17,323	2,897	19,742
Non-controlling interests		698	292	1,500	1,382
		623	17,615	4,397	21,124
Basic earnings per ordinary share (sen)	B11	0.84	40.17	3.20	45.22

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 September 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	-	-	-	1,351	1,351	1,481	2,832
Other comprehensive income for the financial period	-	-	1,546	-	1,546	19	1,565
Total comprehensive income for the financial year	-	-	1,546	1,351	2,897	1,500	4,397
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 September 2023	49,691	(1,192)	782	26,948	76,229	16,511	92,740

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 30 September 2023 (Continued)

	← 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.

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

	9 months period ended 30 September	
	2023	2022
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	3,132	22,061
Adjustment for non-cash items:-		
Non-cash items arising from property, plant and equipment, right-of-use assets, and investment properties	5,199	5,445
Gain from disposal of property, plant and equipment	-	(17,297)
Gain from disposal of investment property	-	(240)
Reversal of inventories written down	(434)	(848)
Interest income	(108)	(8)
Interest expense on borrowings	148	439
Interest expense on lease obligations	34	53
Unrealised loss/(gain) on foreign currency exchange	40	(70)
Operating profit before working capital changes	8,011	9,535
Changes in working capital:-		
Inventories	842	(751)
Receivables	4,757	(649)
Payables	(7,080)	(5,154)
Cash generated from operations	6,530	2,981
Interest paid	(34)	(53)
Tax paid	(160)	(1,716)
Net cash generated from operating activities	6,336	1,212
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(4,976)	(3,873)
Interest received	108	8
Proceeds from disposal of property, plant and equipment	-	2,779
Proceeds from disposal of investment property	-	750
Net cash used in investing activities	(4,868)	(336)
Cash Flows From Financing Activities		
Proceeds from equity interest to non-controlling interests	892	-
Net repayment of borrowings	(322)	(2,328)
Interest paid	(148)	(439)
Repayment of lease liabilities	(1,062)	(143)
Dividend paid to non-controlling interests in subsidiary	(191)	-
Net cash used in financing activities	(831)	(2,910)

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

	9 months period ended 30 September	
	2023	2022
	RM'000	RM'000
Effect of exchange rate changes	290	(78)
Net increase/(decrease) in cash and cash equivalents	927	(2,112)
Cash and cash equivalents brought forward	25,028	13,967
Cash and cash equivalents carried forward	<u>25,955</u>	<u>11,855</u>
	<u>25,955</u>	<u>11,855</u>
@ Cash and cash equivalents comprise of the following:-		
Deposits placed with licensed banks	6,000	-
Cash and bank balances	19,955	11,855
	<u>25,955</u>	<u>11,855</u>
	<u>25,955</u>	<u>11,855</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 September 2023**

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 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 512,852 new registrations for the period ended 30 September 2023, which represents a 11.71% increase as compared to 459,090 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 September 2023 (Continued)**

A9 Segmental reporting

Segmental analysis of the results and assets employed for the period ended 30 September 2023:

Business segments	Automotive	Machinery	Others	Consolidated
	Parts RM'000	Parts RM'000	RM'000	
Revenue from external customers	113,997	4,518	-	118,515
Segment results	3,848	214	(856)	3,206
Interest income				108
Finance costs				(182)
Profit before taxation				3,132
Tax expenses				(300)
Loss from continuing operations, net of tax				2,832
Loss from discontinued operation, net of tax				-
Profit after taxation				2,832
Exchange differences on translation of foreign operations				1,565
Total comprehensive income for the period				4,397
Segment assets	87,958	20,707	10,835	119,500
Unallocated corporate assets	384	268	37	689
Total assets				120,189
Segment liabilities	17,130	386	9,111	26,627
Unallocated corporate liabilities	822	-	-	822
Total liabilities				27,449
Capital expenditure	1,472	-	-	1,472
Depreciation and amortisation	4,642	230	327	5,199

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 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 September 2023 (Continued)**

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 30.09.2023 RM'000	As at 30.09.2022 RM'000
Plant and equipment contracted but not provided for in the financial statements	1,472	633

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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 Year Quarter 30.09.2023 RM'000	Preceding Year Quarter 30.09.2022 RM'000	Changes		Current Year Quarter 30.09.2023 RM'000	Preceding Year Quarter 30.09.2022 RM'000	Changes	
			RM'000	%			RM'000	%
Revenue	40,555	41,098	(543)	(1.3)	118,515	112,695	5,820	5.2
Gross profit	5,215	5,149	66	1.3	14,297	15,361	(1,064)	(6.9)
Profit before interest and taxation	1,281	18,924	(17,643)	(93.2)	3,206	22,545	(19,339)	85.8
Profit before taxation	1,275	18,764	(17,489)	(93.2)	3,132	22,061	(18,929)	85.8
Profit after taxation	1,060	17,231	(16,171)	(93.8)	2,832	20,449	(17,617)	86.2
Profit attributable to the owners of the company	356	16,939	(16,583)	(97.9)	1,351	19,067	(17,716)	92.9

The Group reported revenue of RM40.56m and profit before taxation (“PBT”) of RM1.27m for the current quarter (“Q3'23”) as compared to revenue of RM41.10m and PBT of RM18.76m (RM1.48m from operations and RM17.28m gains from disposal of MIS Property) recorded in the previous year's corresponding quarter (“Q3'22”). Despite the revenue having remained consistent, Q3'23 recorded a lower PBT compared to Q3'22 which was mainly due to the gain of RM17.28m from disposal of Property.

Automotive parts

Revenue from the carpet segment in Malaysia increased by RM3.08m to RM22.94m mainly contributed by increased demand from major customers, Mazda and Perodua. The segment recorded a PBT of RM2.16m compared to PBT of RM1.14m in Q3'22 as a result of increase in sales.

In Indonesia, the revenue increased by RM1.06m to RM5.77m mainly due to increase in demand from Daihatsu. It recorded a PBT of RM0.29m compared to PBT of RM0.27m in Q3'22.

Revenue from braking component decreased by RM4.36m to RM10.65m due to decrease in sales to Honda and Thailand sales. The segment recorded a loss before taxation (“LBT”) of RM0.57m compared to PBT of RM0.37m in Q3'22 as a result of decrease in sales.

Machinery parts

Revenue for Q3'23 decreased by RM0.33m to RM1.20m. It recorded a lower PBT of RM0.09m compared to PBT RM17.33m in Q3'22 due to the gain of RM17.28m from the disposal of Property.

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

B2 Variation of results against preceding quarter

	Current Quarter 30.09.2023 RM'000	Immediate Preceding Quarter 30.06.2023 RM'000	Changes	
			RM'000	%
Revenue	40,555	36,112	4,443	12.3
Gross profit	5,215	3,821	1,394	36.5
Profit before interest and taxation	1,281	380	901	237.1
Profit before taxation	1,275	348	927	266.4
Profit after taxation	1,060	263	797	303.0
Profit/(Loss) attributable to the owners of the company	356	(73)	429	N/M

Note: N/M = not meaningful

The Group’s revenue for the reporting period has increased by RM4.44m in comparison to the immediate preceding quarter ("Q2'23") which in line with the sales report published by MAA, where there is increase in new registered passenger vehicles recorded at 186,191 for Q3'23, compared to 154,706 for Q2'23 and also shorter working month in Q2'23 due to festive Hari Raya Aidilfitri in April 2023. It recorded a higher PBT of RM1.27m as compared to Q2'23 of RM0.35m as a result of increase in sales.

Automotive parts

Revenue from the carpet segment in Malaysia increased by RM3.24m to RM22.94m as compared to Q2'23 as a result of shorter working month in April 2023 due to festive Hari Raya Aidilfitri. The segment recorded a PBT of RM2.16m compared to PBT of RM1.09m in Q2'23 as a result of increase in sales.

In Indonesia, the revenue increased by RM0.86m to RM5.77m as compared to Q2'23 mainly due to increase in demand from Daihatsu and Hyundai. It recorded a PBT of RM0.29m in Q3'23 as a result of increase in sales.

Revenue from braking component increased by RM0.37m to RM10.65m as compared to Q2'23. The segment recorded a LBT of RM0.57m as compared to LBT of RM0.49m in Q2'23 due to the lower product mix margin.

Machinery parts

Revenue for Q3'23 decreased by RM0.02m to RM1.20m. It recorded a higher PBT of RM0.09m compared to PBT of RM0.02m in Q2'23 as a result of product mix margin.

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B Additional Information Required by Bursa Malaysia Securities Berhad ("Bursa Malaysia")
Main Market Listing Requirements (Continued)

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

Considering the pressure from the forex and sluggishness of the market, Management remains cautious in the current challenging environment and will continue to strive to pursue sales during the last quarter of the year.

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 2023.

B5 Taxation

	3 months period ended		Financial period ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Income tax expenses:				
Current income tax:				
- Current year	215	-	300	-
- Prior year	-	(30)	-	(30)
Deferred tax:				
- Origination and reversal of temporary differences	-	-	-	50
Real property gain tax	-	1,563	-	1,592
	<u>215</u>	<u>1,533</u>	<u>300</u>	<u>1,612</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 (Continued)**

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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Interest income	70	5	108	8
Other income including investment income	347	106	408	313
Gain on disposal of MIS Property	-	17,279	-	17,279
Gain on disposal of investment property	-	-	-	238
Interest expenses	(76)	(165)	(182)	(492)
Reversal of inventories written down	-	23	435	848
Depreciation and amortisation	(1,928)	(1,875)	(5,199)	(5,445)
Development cost	(256)	(348)	(875)	(884)
Net foreign currency exchange loss	(348)	(8)	(399)	(183)

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 September 2023.

B8 Group borrowings

Secured:-	As at 30 September 2023			As at 30 September 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	2,925	428	3,353	3,353	428	3,781
	<u>2,925</u>	<u>428</u>	<u>3,353</u>	<u>3,353</u>	<u>7,342</u>	<u>10,695</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 (Continued)**

B10 Dividend

The Board of Directors does not recommend any dividend for the current period ended 30 September 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 30.09.2023 RM'000
Profit attributable to Owners of the Company	356
Profit attributable to Non-Controlling Interests	704
Profit for the period	<u>1,060</u>
Weighted average number of ordinary shares	<u>42,163</u>
Basic earnings per share (sen)	<u>0.84</u>

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