

SMIS Corporation Berhad

Company No. 491857 – V
(Incorporated in Malaysia)

Interim Financial Report
30 June 2019

Interim Report
SMIS Corporation Berhad
(Company No. 491857-V)
(Incorporated in Malaysia)
and its subsidiaries

Condensed Consolidated Statement of Financial Position as at 30 June 2019
(unaudited)

	Note	As at 30 June 2019 RM'000	As at 31 December 2018 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		36,481	37,828
Land use rights		12,571	12,495
Investment properties		3,986	4,173
Deferred tax assets		61	61
Total non-current assets		<u>53,099</u>	<u>54,557</u>
Current Assets			
Inventories		16,864	16,563
Trade and other receivables		25,443	29,092
Tax recoverable		5,029	5,215
Cash and bank balances		17,509	14,408
Total current assets		<u>64,845</u>	<u>65,278</u>
TOTAL ASSETS		<u>117,944</u>	<u>119,835</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		13,413	11,880
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		<u>61,912</u>	<u>60,379</u>
Non-controlling interest		14,001	14,671
Total equity		<u>75,913</u>	<u>75,050</u>
Non-current liabilities			
Loans and borrowings	B8	6,197	6,470
Deferred tax liabilities		183	183
Total non-current liabilities		<u>6,380</u>	<u>6,653</u>
Current liabilities			
Trade and other payables		21,019	23,378
Loans and borrowings	B8	14,540	14,538
Tax payable		92	216
Total current liabilities		<u>35,651</u>	<u>38,132</u>
Total liabilities		<u>42,031</u>	<u>44,785</u>
Total equity and liabilities		<u>117,944</u>	<u>119,835</u>
Net assets per share (RM)		1.38	1.35

Note:-

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 6 months period ended 30 June 2019 (unaudited)

	Note	3 months period ended 30 June		6 months period ended 30 June	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Continuing operations					
Revenue		29,676	29,618	60,636	61,995
Cost of sale		(28,016)	(26,236)	(55,901)	(53,887)
Gross profit		1,660	3,382	4,735	8,108
Operating expenses		(4,633)	(3,631)	(9,274)	(8,972)
Other operating income		449	402	6,383	836
Operating (loss)/profit		(2,524)	153	1,844	(28)
Finance costs		(292)	(395)	(576)	(726)
Interest income		16	35	24	61
(Loss)/profit before taxation		(2,800)	(207)	1,292	(693)
Tax expense	B5	51	-	(4)	-
(Loss)/profit after taxation from continuing operations, net of tax		(2,749)	(207)	1,288	(693)
Loss from discontinued operation, net of tax		-	(27)	-	(283)
(Loss)/profit for the period		(2,749)	(234)	1,288	(976)
Other comprehensive income/(expense), net of tax Item that will not be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		75	88	106	(680)
Other comprehensive income/(expense) for the period, net of tax		75	88	106	(680)
Total comprehensive (expense)/income for the period		(2,674)	(146)	1,394	(1,656)
(Loss)/profit attributable to:					
Owners of the Company					
- From continuing operations		(1,858)	(575)	1,959	(1,449)
- From discontinued operation		-	(26)	-	(273)
		(1,858)	(601)	1,959	(1,722)
Non-controlling interests		(891)	367	(671)	746
(Loss)/Profit for the period		(2,749)	(234)	1,288	(976)
Total comprehensive (expense)/income attributable to:					
Owners of the Company					
- From continuing operations		(1,783)	(489)	2,065	(2,132)
- From discontinued operation		-	(26)	-	(273)
		(1,783)	(515)	2,065	(2,405)
Non-controlling interests		(891)	369	(671)	749
Total comprehensive (expense)/income for the period		(2,674)	(146)	1,394	(1,656)
Basic earnings per ordinary share (sen)					
- From continuing operations		(4.41)	(1.36)	4.65	(3.44)
- From discontinued operation		-	(0.06)	-	(0.65)
	B11	(4.41)	(1.43)	4.65	(4.08)
Diluted earnings per ordinary share (sen)		N/A	N/A	N/A	N/A

Notes:-
N/A = Not applicable

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Changes in Equity for the 6 months period ended 30 June 2019
(unaudited)

	← Attributable to the 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 2019	49,691	(1,192)	(562)	12,442	60,379	14,671	75,050
Foreign exchange translation reserve	-	-	105	-	105	1	106
Total comprehensive income for the financial period	-	-	105	-	105	1	106
Profit net of tax for the period	-	-	-	1,959	1,959	(671)	1,288
Total comprehensive income for the financial period	-	-	105	1,959	2,064	(670)	1,394
Contributions by and distribution to owners of the Company							
- Dividend to owners of the Company	-	-	(531)	-	(531)	-	(531)
Total transaction with owners of the Company	-	-	(531)	-	(531)	-	(531)
At 30 June 2019	49,691	(1,192)	(988)	14,401	61,912	14,001	75,913
At 1 January 2018	49,691	(1,192)	(406)	17,468	65,561	11,209	76,770
Foreign currency translation reserve	-	-	(156)	-	(156)	1	(155)
Loss from discontinued operation, net of tax				(372)	(372)	(13)	(385)
Loss net of tax for the period from continuing operations	-	-	-	(4,654)	(4,654)	1,070	(3,584)
Total other comprehensive (expense)/income for the financial year	-	-	(156)	(5,026)	(5,182)	1,058	(4,124)
Contributions by and distribution to owners of the Company							
- Subscription of additional shares in a subsidiary	-	-	-	-	-	2,404	2,404
Total transaction with owners of the Company	-	-	-	-	-	2,404	2,404
At 31 December 2018	49,691	(1,192)	(562)	12,442	60,379	14,671	75,050

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Cash Flows for the 6 months period ended 30 June 2019 (unaudited)

	6 months period ended 30 June 2019 RM'000	6 months period ended 30 June 2018 RM'000
Cash Flows From Operating Activities		
Profit/(loss) before tax	1,292	(976)
Adjustment for non-cash items:-		
Non cash item arising from property, plant and equipment	(2,484)	3,359
Bad debts written off	8	-
Unrealised currency exchange (gain)/loss	(191)	753
Interest income	(24)	(61)
Interest expense	576	673
Operating (loss)/profit before working capital changes	(823)	3,748
Changes in working capital:-		
Inventories	(301)	903
Trade and other receivables	3,833	5,638
Trade and other payables	(2,358)	(4,717)
Cash generated from operations	351	5,572
Interest paid	(17)	(11)
Tax refund	584	40
Tax paid	(527)	-
Net cash generated from operating activities	391	5,601
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(3,391)	(1,043)
Interest received	24	61
Proceeds from disposal of investment properties	5,700	-
Proceeds from disposal of property, plant and equipment	498	31
Net cash generated from/(used in) investing activities	2,831	(951)
Cash Flows From Financing Activities		
Proceeds from issuance of shares to MI	-	2,400
Net drawdown/(repayment) of Term Loans	(271)	(4,755)
Net drawdown/(repayment) of other borrowings	-	(8)
Interest paid	(559)	(662)
Dividend paid	(531)	-
Net cash used in from financing activities	(1,361)	(3,025)
Exchange rate fluctuation reserve	1,240	254
Net increase in cash and cash equivalents	3,101	1,879
Cash and cash equivalents at 1 January	14,408	12,023
Cash and cash equivalents at 30 June	17,509	13,902
@ Cash and cash equivalents comprise the following balance sheet amounts:-		
Deposits placed with licensed banks	15	15
Cash and bank balances	17,494	13,887
	17,509	13,902

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

A Notes to Interim Financial Report on Consolidated Results for the Period Ended 30 June 2019

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2019 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 2018.

A2 Changes in Accounting Policies

The significant policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018.

A3 Auditors’ report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2018 was not subject to any qualifications.

A4 Seasonal or cyclical factors

The Malaysian Automotive Association (“MAA”), reported that passenger vehicles recorded 139,761 new registrations for the quarter ended 30 June 2019, which represents a 0.13% decrease as compared to 139,947 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 nature and amount of items, which affected 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 Interim Financial Report on Consolidated Results for the Period Ended 30 June 2019

A9 Segmental reporting

Segmental analysis of the results and assets employed for the 6 months period ended 30 June 2019:

Business Segments	Automotive Parts RM'000	Machinery Parts RM'000	Others RM'000	Consolidated RM'000
Revenue from external customers	55,516	5,120	-	60,636
Segment results	(3,058)	5,238	(336)	1,844
Interest income				24
Financing costs				(576)
Profit before taxation				1,292
Tax expenses				(4)
Profit after taxation for the period				1,288
Translation reserve				106
Total comprehensive income for the period				1,394
Segment assets	80,915	14,170	22,859	117,944
Total assets				117,944
Segment liabilities	24,729	867	16,435	42,031
Total liabilities				42,031
Capital expenditure	2,531	433	-	2,964
Depreciation and amortisation	2,999	130	224	3,353

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 2019 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 30.6.2019 RM'000	As at 30.6.2018 RM'000
Plant and equipment Contracted but not provided for in the financial statements	640	369

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

B1 Review of performance

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter			30.06.2019	Preceding Year Corresponding Quarter		
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000			RM'000	%
Revenue	29,676	29,618	58	0.2	60,636	61,995	(1,359)	(2.2)
Gross profit	1,660	3,382	(1,722)	(50.9)	4,735	8,108	(3,373)	(41.6)
(Loss)/profit before interest and tax	(2,524)	153	(2,677)	(1,749.7)	1,844	(28)	1,872	6,685.7
(Loss)/profit before tax	(2,800)	(207)	(2,593)	(1,252.7)	1,292	(693)	1,985	286.4
(Loss)/profit after taxation from continuing operations	(2,749)	(207)	(2,542)	(1,228.0)	1,288	(693)	1,981	285.9
Loss after taxation from discontinued operation	-	(27)	27	100.0	-	(283)	283	100.0
(Loss)/profit attributable to the owners of the company	(1,858)	(601)	(1,257)	(209.2)	1,959	(1,722)	3,681	213.8

The Group reported revenue of RM29.68m and loss before tax ("LBT") of RM2.80m for the current quarter as compared to revenue of RM29.62m and LBT of RM0.21m respectively achieved in the previous year corresponding quarter.

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

Automotive parts

Revenue from the carpet segment from Malaysia decreased by RM0.14m to RM17.18m which is caused by the drop in revenue from Honda and Subaru respectively. The segment recorded LBT of RM0.69m as compared to profit before tax ("PBT") of RM1.79m in the previous year corresponding quarter due to product mix with lower margin and higher material cost as a result of weaker Malaysian Ringgit. (28.06.2019: USD1:RM4.1335; 29.06.2018: USD1:RM4.0375)

In Indonesia, revenue decreased from RM1.05m to RM0.84m as compared to previous year corresponding quarter mainly due to reduced volume for SGMW, ADM and Suzuki model. The loss from the Indonesian operations has worsened from RM0.49m to RM0.60m due to reduced revenue during the quarter.

Revenue from braking component segment improved by RM0.19m to RM9.04m due to increase in sales to AH Brake Thailand and Mazda. However; the loss for the segment has worsened from RM0.92m to a loss of RM1.10m due to higher labour cost incurred to recruit more local workers to replace foreign contract workers.

Machinery parts

Revenue for the current quarter increased by RM0.75m to RM2.80m which is due to the short reprieve from the slow down in palm oil industry in previous year. The PBT has also increased to RM0.1m from LBT of RM0.08m as a result of increase in revenue.

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

B2 Variation of results against preceding quarter

	Current Quarter 30.06.2019 RM'000	Immediate Preceding Quarter 31.03.2019 RM'000	Changes	
			RM'000	%
Revenue	29,676	30,960	(1,284)	(4.1)
Gross profit	1,660	3,075	(1,415)	(46.0)
(Loss)/profit before interest and tax	(2,524)	4,368	(6,892)	(157.8)
(Loss)/profit before tax	(2,800)	4,092	(6,892)	(168.4)
(Loss)/profit after taxation	(2,749)	4,037	(6,786)	(168.1)
(Loss)/profit attributable to the owners of the company	(1,858)	3,817	(5,675)	(148.7)

The Group’s revenue for the reporting period recorded RM1.28m decrease in comparison to the immediate preceding quarter.

Automotive parts

Revenue from the carpet segment from Malaysia decreased by RM0.70m to RM17.18m as compared to preceding quarter due to Hari Raya shutdown by major customers. The current quarter recorded a LBT of RM0.69m from a PBT of RM0.43m due to decrease in revenue and higher cost of goods sold.

In Indonesia, sales revenue increased marginally from RM0.73m to RM0.84m as compared to preceding quarter with loss for the quarter remained relatively stable at RM0.60m.

Revenue from the braking component segment decreased by RM1.51m to RM9.04m with loss for the quarter worsen from RM0.64m to RM1.10m which is mainly due to decrease in revenue to Honda and higher labour cost incurred for the quarter.

Machinery parts

Machinery parts segment recorded improved revenue by RM0.47m to RM2.80m with PBT of RM0.10m as compared to RM5.40m in preceding quarter which included one-off gain on disposal of investment properties amounted to RM5.54m.

B3 Prospects for 2019

Automotive parts

MAA industry forecast for 2019 is as follows:

Market segment	2019	2018	Variance	
	Forecast	Actual	Units	%
Passenger vehicles	534,000	533,202	798	0.1
Commercial vehicles	66,000	65,512	488	0.7
Total vehicles	600,000	598,714	1,286	0.2

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

Machinery parts

The Management is cautiously optimistic that it should be able to achieve satisfactory results. Furthermore, exploration into business opportunities in other sectors (such as chemicals and food & beverage) and other countries is on-going to facilitate diversification of revenue stream.

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 year ended 30 June 2019.

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

B5 Taxation

	3 months period ended		Financial year ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Income tax income/(expenses)				
- Current year	51	-	(4)	-
- Prior year	-	-	-	-
Deferred tax				
- Origination and reversal of temporary differences	-	-	-	-
	<u>51</u>	<u>-</u>	<u>(4)</u>	<u>-</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 Statement of Comprehensive Income

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

	3 months period ended		Financial year ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Interest income	16	35	24	61
Other income including investment income	108	97	492	575
Gain on disposal of investment properties	-	-	5,538	-
Interest expenses	(292)	(328)	(576)	(673)
Depreciation and amortisation	(1,777)	(1,696)	(3,353)	(3,349)
Development cost	(134)	(100)	(363)	(273)
Net foreign exchange gain/(loss)	251	712	126	(769)

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 2019.

B8 Group’s borrowings and debt securities

	As at 30 June 2019			As at 30 June 2018		
	Long term	Short term	Total	Long term	Short term	Total
Secured:-	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revolving credit	-	13,955	13,955	-	13,952	13,952
Term loans	6,197	585	6,782	6,676	664	7,340
	<u>6,197</u>	<u>14,540</u>	<u>20,737</u>	<u>6,676</u>	<u>14,616</u>	<u>21,292</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 bank overdraft of the Group bears interest rate of 8.57% per annum whilst both revolving credit and term loans bears interest rate range from 4.72% to 4.97% and 5.61% 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 2019.

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 following:

	For the quarter ended 30.06.2019 RM'000	For the cumulative 6 months ended 30.06.2019 RM'000
(Loss)/profit attributable to Owners of the Company :	<u>(1,858)</u>	<u>1,959</u>
(Loss)/profit attributable to minority interest	<u>(891)</u>	<u>(671)</u>
(Loss)/profit for the period	<u>(2,749)</u>	<u>1,288</u>
Weighted average number of ordinary shares	<u>42,163</u>	<u>42,163</u>
Basic earnings per share (sen)	<u>(4.41)</u>	<u>4.65</u>