

SMIS Corporation Berhad

Company No. 491857 – V
(Incorporated in Malaysia)

Interim Financial Report
31 March 2019

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

Condensed Consolidated Statement of Financial Position as at 31 March 2019
(unaudited)

	Note	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		37,223	37,828
Land use rights		12,411	12,495
Investment properties		3,999	4,173
Deferred tax assets		61	61
Total non-current assets		<u>53,694</u>	<u>54,557</u>
Current Assets			
Inventories		17,231	16,563
Trade and other receivables		33,024	29,092
Tax recoverable		5,332	5,215
Cash and bank balances		12,151	14,408
Total current assets		<u>67,738</u>	<u>65,278</u>
TOTAL ASSETS		<u>121,432</u>	<u>119,835</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		15,726	11,880
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		<u>64,225</u>	<u>60,379</u>
Non-controlling interest		14,893	14,671
Total equity		<u>79,118</u>	<u>75,050</u>
Non-current liabilities			
Loans and borrowings	B8	6,324	6,470
Deferred tax liabilities		183	183
Total non-current liabilities		<u>6,507</u>	<u>6,653</u>
Current liabilities			
Trade and other payables		21,130	23,378
Loans and borrowings	B8	14,538	14,538
Tax payable		139	216
Total current liabilities		<u>35,807</u>	<u>38,132</u>
Total liabilities		<u>42,314</u>	<u>44,785</u>
Total equity and liabilities		<u>121,432</u>	<u>119,835</u>
Net assets per share (RM)		1.43	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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SMIS Corporation Berhad
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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 3 months period ended 31 March 2019 (unaudited)

	Note	3 months period ended 31 March		3 months year ended 31 March	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Continuing operations					
Revenue		30,960	32,377	30,960	32,377
Cost of sale		(27,885)	(27,651)	(27,885)	(27,651)
Gross profit		<u>3,075</u>	<u>4,726</u>	<u>3,075</u>	<u>4,726</u>
Operating expenses		(4,641)	(5,341)	(4,641)	(5,341)
Other operating income		5,934	434	5,934	434
Operating profit/(loss)		<u>4,368</u>	<u>(181)</u>	<u>4,368</u>	<u>(181)</u>
Finance costs		(284)	(331)	(284)	(331)
Interest income		8	26	8	26
Profit/(Loss) before taxation		<u>4,092</u>	<u>(486)</u>	<u>4,092</u>	<u>(486)</u>
Tax expense	B5	(55)	-	(55)	-
Profit/(loss) after taxation from continuing operations, net of tax		<u>4,037</u>	<u>(486)</u>	<u>4,037</u>	<u>(486)</u>
Loss from discontinued operation, net of tax		-	(256)	-	(256)
Profit/(loss) for the period		<u><u>4,037</u></u>	<u><u>(742)</u></u>	<u><u>4,037</u></u>	<u><u>(742)</u></u>
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		31	(768)	31	(768)
Other comprehensive income/(expense) for the period, net of tax		<u>31</u>	<u>(768)</u>	<u>31</u>	<u>(768)</u>
Total comprehensive income/(expense) for the period		<u><u>4,068</u></u>	<u><u>(1,510)</u></u>	<u><u>4,068</u></u>	<u><u>(1,510)</u></u>
Profit/(loss) attributable to:					
Owners of the Company					
- From continuing operations		3,817	(874)	3,817	(874)
- From discontinued operation		-	(247)	-	(247)
		<u>3,817</u>	<u>(1,121)</u>	<u>3,817</u>	<u>(1,121)</u>
Non-controlling interests		220	379	220	379
Profit/(loss) for the period		<u><u>4,037</u></u>	<u><u>(742)</u></u>	<u><u>4,037</u></u>	<u><u>(742)</u></u>
Total comprehensive income/(expense) attributable to:					
Owners of the Company					
- From continuing operations		3,848	(1,643)	3,848	(1,643)
- From discontinued operation		-	(247)	-	(247)
		<u>3,848</u>	<u>(1,890)</u>	<u>3,848</u>	<u>(1,890)</u>
Non-controlling interests		220	380	220	380
Total comprehensive income/(expense) for the period		<u><u>4,068</u></u>	<u><u>(1,510)</u></u>	<u><u>4,068</u></u>	<u><u>(1,510)</u></u>
Basic earnings per ordinary share (sen)					
- From continuing operations		9.05	(2.07)	9.05	(2.07)
- From discontinued operation		-	(0.59)	-	(0.59)
	B11	<u>9.05</u>	<u>(2.66)</u>	<u>9.05</u>	<u>(2.66)</u>
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.

Interim Report
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Condensed Consolidated Statement of Changes in Equity for the 3 months period ended 31 March 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	-	-	29	-	29	2	31
Total comprehensive income for the financial period	-	-	29	-	29	2	31
Profit net of tax for the period	-	-	-	3,817	3,817	220	4,037
Total comprehensive income for the financial period	-	-	29	3,817	3,846	222	4,068
At 31 March 2019	49,691	(1,192)	(533)	16,259	64,225	14,893	79,118
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)/profit 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.

Condensed Consolidated Statement of Cash Flows for the 3 months period ended 31 March 2019 (unaudited)

	3 months period ended 31 March 2019 RM'000	3 months period ended 31 March 2018 RM'000
Cash Flows From Operating Activities		
Profit/(loss) before tax	4,092	(742)
Adjustment for non-cash items:-		
Non cash item arising from property, plant and equipment	(4,113)	1,658
Unrealised currency exchange loss/(gain)	49	1,268
Interest income	(8)	(26)
Interest expense	284	345
Operating profit before working capital changes	<u>304</u>	<u>2,503</u>
Changes in working capital:-		
Inventories	(667)	1,508
Trade and other receivables	(3,982)	1,027
Trade and other payables	(2,249)	185
Cash (used in)/generated from operations	<u>(6,594)</u>	<u>5,223</u>
Interest paid	(6)	(11)
Tax refund	92	5
Tax paid	(342)	-
Net cash (used in)/generated from operating activities	<u>(6,850)</u>	<u>5,217</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(1,754)	(390)
Interest received	8	26
Proceeds from disposal of property, plant and equipment	6,198	27
Net cash generated from/(used in) investing activities	<u>4,452</u>	<u>(337)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of shares to MI	-	2,400
Net drawdown/(repayment) of Term Loans	(146)	-
Net drawdown/(repayment) of other borrowings	-	(400)
Interest paid	(278)	(333)
Net cash (used in)/generated from financing activities	<u>(424)</u>	<u>1,667</u>
Exchange rate fluctuation reserve	565	334
Net (decrease)/increase in cash and cash equivalents	(2,257)	6,881
Cash and cash equivalents at 1 January	14,408	12,023
Cash and cash equivalents at 31 December	<u>12,151</u>	<u>18,904</u>
@ Cash and cash equivalents comprise the following balance sheet amounts:-		
Short term investments	-	2,009
Deposits placed with licensed banks	15	-
Cash and bank balances	12,136	16,895
	<u>12,151</u>	<u>18,904</u>

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 31 March 2019

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 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 131,114 new registrations for the quarter ended 31 March 2019, which represents a 8.3% increase as compared to 121,060 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 except for the gain on disposal of investment properties of RM5.54m.

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 31 March 2019

A9 Segmental reporting

Segmental analysis of the results and assets employed for the 3 months period ended 31 March 2019:

Business Segments	Automotive Parts RM'000	Machinery Parts RM'000	Others RM'000	Consolidated RM'000
Revenue from external customers	28,634	2,326	-	30,960
Segment results	(583)	5,223	(272)	4,368
Interest income				8
Financing costs				(284)
Loss before taxation				4,092
Tax expenses				(55)
Loss after taxation for the period				4,037
Translation reserve				31
Total comprehensive expense for the period				4,068
Segment assets	83,391	20,768	17,273	121,432
Total assets				121,432
Segment liabilities	24,663	998	16,653	42,314
Total liabilities				42,314
Capital expenditure	1,357	397	-	1,754
Depreciation and amortisation	1,405	61	110	1,576

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 March 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 31.3.2019 RM'000	As at 31.3.2018 RM'000
Plant and equipment Contracted but not provided for in the financial statements	433	289

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			31.03.2019 RM'000	Preceding Year Corresponding Quarter 31.03.2018 RM'000		
	31.03.2019 RM'000	31.03.2018 RM'000	RM'000	%			RM'000	%
Revenue	30,960	32,377	(1,417)	(4.4)	30,960	32,377	(1,417)	(4.4)
Gross profit	3,075	4,726	(1,651)	(34.9)	3,075	4,726	(1,651)	(34.9)
Profit/(loss) before interest and tax	4,368	(181)	4,549	2,513.3	4,368	(181)	4,549	2,513.3
Profit/(loss) before tax	4,092	(486)	4,578	942.0	4,092	(486)	4,578	942.0
Profit/(loss) after taxation from continuing operations	4,037	(486)	4,523	930.7	4,037	(486)	4,523	930.7
Profit/(loss) after taxation from discontinued operation	-	(256)	256	100.0	-	(256)	256	100.0
Profit/(loss) attributable to the owners of the company	3,817	(1,121)	4,938	440.5	3,817	(1,121)	4,938	440.5

The Group reported revenue of RM30.96m and profit before tax of RM4.09m for the current quarter compared to revenue of RM32.38m and loss before tax of RM0.49m 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 RM0.57m to RM17.88m which is mainly caused by drop in revenue from Honda of RM0.84m. Profit before tax ("PBT") also decreased from RM0.59m to RM0.43m as a result of different product mix and lower revenue during the quarter.

In Indonesia, revenue decreased from RM0.90m to RM0.73m as compared to previous year corresponding quarter mainly due to unfavourable foreign exchange rate. However; loss from the Indonesian operations narrowed from RM0.67m to RM0.60m due to better cost control.

Revenue from braking component segment improved by RM1.06m to RM10.55m due to increase in sales to Honda and AH Brake Thailand. However; the loss for the segment has worsened from RM0.08m to a loss of RM0.64m due to unfavourable foreign exchange.

Machinery parts

Revenue for the current quarter decreased by RM0.80m to RM2.33m. The decrease in revenue is due to slow down in oil palm production as the market is still very volatile due to global economy and low market sentiment. The PBT however improved significantly by RM5.11m to RM5.40m in the current quarter due to one-off gain on disposal of investment properties amounted to RM5.54m.

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

B2 Variation of results against preceding quarter

	Current Quarter 31.03.2019 RM'000	Immediate Preceding Quarter 31.12.2018 RM'000	Changes	
			RM'000	%
Revenue	30,960	33,349	(2,389)	(7.2)
Gross profit	3,075	3,540	(465)	(13.1)
Profit before interest and tax	4,368	(1,160)	5,528	476.6
Profit/(loss) before tax	4,092	(1,599)	5,691	355.9
Profit/(loss) after taxation from continuing operations	4,037	(2,803)	6,840	244.0
Loss after taxation from discontinued operation	-	(58)	58	100.0
Profit/(loss) attributable to the owners of the company	3,817	(2,666)	6,483	243.2

The Group's revenue for the reporting period recorded RM2.39m decrease in comparison to the immediate preceding quarter.

Automotive parts

Revenue from the carpet segment from Malaysia decreased slightly by RM0.22m (from RM18.10m to RM17.88m) from the preceding quarter due to drop in revenue from Honda. PBT dropped to RM0.43m from RM0.67m due to higher cost of goods sold.

In Indonesia, sales revenue decreased marginally from RM0.84m to RM0.73m as compared to preceding quarter. Loss for the quarter has narrowed from RM0.73m to RM0.60m due to better cost control.

Revenue from the braking component segment decreased marginally by RM0.02m to RM10.55m with loss for the quarter of RM0.64m against a loss of RM0.70m in the preceding quarter mainly due to product mix.

Machinery parts

Machinery parts segment recorded declined revenue by RM1.41m to RM2.33m due to delay in delivery schedule in current quarter. The profit for the quarter improved significantly by RM4.98m to RM5.40m due to 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 31 March 2019.

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

B5 Taxation

	3 months period ended		Financial year ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Income tax (expenses)/income				
- Current year	(55)	-	(55)	-
- Prior year	-	-	-	-
Deferred tax				
- Origination and reversal of temporary differences	-	-	-	-
	<u>(55)</u>	<u>-</u>	<u>(55)</u>	<u>-</u>

B6 Status of corporate proposals announced

On 15 May 2019, Plaspoint Sdn. Bhd., a subsidiary of the Company had entered into a Sale and Purchase Agreement with SSL Ventures Sdn. Bhd. to dispose of 1 parcel of freehold land measuring 3,344 square metres in land area held under Individual Title Geran 392627, Lot 177331, Mukim of Plentong, District of Johor Bahru, State of Johor together with 1 unit of a single storey detached factory and a double storey office annexed thereto bearing a postal address of No. 4, Jalan Desa Tropika 1/2, Taman Perindustrian Tropika, 81800 Ulu Tiram, Johor on an “as is where is basis” (fair wear and tear expected) in accordance with the provisions hereof free from all charges, encumbrances, lien and/or caveats with legal or vacant possession, as the case may be, at a total sale consideration of RM3,750,000.00 only, subject to the terms and conditions as stipulated in the Agreement.

Other than the above, there are no corporate proposals announced or outstanding for the current quarter ended 31 March 2019.

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	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Interest income	8	26	8	26
Other income including investment income	384	478	384	478
Gain on disposal of investment properties	5,538	-	5,538	-
Interest expenses	(284)	(345)	(284)	(345)
Depreciation and amortisation	(1,576)	(1,653)	(1,576)	(1,653)
Development cost	(229)	(173)	(229)	(173)
Net foreign exchange gain/(loss)	(125)	(1,481)	(125)	(1,481)

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 March 2019.

B8 Group’s borrowings and debt securities

Secured:-	As at 31 March 2019			As at 31 March 2018		
	Long term	Short term	Total	Long term	Short term	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank overdraft	-	-	-	-	-	-
Revolving credit	-	13,954	13,954	-	13,954	13,954
Term loans	6,324	584	6,908	9,839	1,864	11,703
	<u>6,324</u>	<u>14,538</u>	<u>20,862</u>	<u>9,839</u>	<u>15,818</u>	<u>25,657</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.

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 31 March 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 31.03.2019 RM'000	For the cumulative 12 months ended 31.03.2019 RM'000
Profit/(Loss) attributable to Owners of the Company :	3,817	3,817
Profit/(Loss) attributable to minority interest	220	220
Profit/(Loss) for the period	<u>4,037</u>	<u>4,037</u>
Weighted average number of ordinary shares	<u>42,163</u>	<u>42,163</u>
Basic earnings per share (sen)	<u>9.05</u>	<u>9.05</u>