

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

Interim Financial Report  
30 September 2020

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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 2020 RM'000	As at 31 December 2019 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		33,641	34,664
Right-of-use assets		14,239	15,631
Investment properties		847	857
Deferred tax assets		76	92
<b>Total non-current assets</b>		<b>48,803</b>	<b>51,244</b>
<b>Current assets</b>			
Inventories		16,814	18,849
Tax recoverable		455	348
Trade and other receivables		26,569	26,982
Prepayments		834	1,216
Cash and cash equivalents		11,539	13,978
<b>Total current assets</b>		<b>56,211</b>	<b>61,373</b>
<b>TOTAL ASSETS</b>		<b>105,014</b>	<b>112,617</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		49,691	49,691
Reserves		6,608	12,855
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		55,107	61,354
Non-controlling interest		13,415	14,293
<b>Total equity</b>		<b>68,522</b>	<b>75,647</b>
<b>Non-current liabilities</b>			
Loans and borrowings	B8	4,210	4,531
Lease liabilities		548	910
Deferred tax liabilities		155	155
<b>Total non-current liabilities</b>		<b>4,913</b>	<b>5,596</b>
<b>Current liabilities</b>			
Loans and borrowings	B8	9,378	9,890
Lease liabilities		433	528
Trade and other payables		21,534	20,839
Tax payable		234	117
<b>Total current liabilities</b>		<b>31,579</b>	<b>31,374</b>
<b>Total liabilities</b>		<b>36,492</b>	<b>36,970</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>105,014</b>	<b>112,617</b>
Net assets per share (RM)		1.23	1.37

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 2019 and the accompanying explanatory notes to the interim financial reports.

**Unaudited Condensed Consolidated Statements of Comprehensive Income for the Period Ended 30 September 2020**

	Note	3 months period ended 30 September		9 months year ended 30 September	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Continuing operations</b>					
<b>Revenue</b>		31,400	31,334	64,247	91,970
Cost of sale		(26,798)	(28,314)	(59,156)	(84,215)
<b>Gross profit</b>		4,602	3,020	5,091	7,755
Operating expenses		(4,639)	(4,020)	(11,489)	(13,294)
Other operating income		397	1,164	593	7,547
<b>Operating (loss)/profit</b>		360	164	(5,805)	2,008
Finance costs		(165)	(321)	(583)	(897)
Interest income		5	5	18	29
(Loss)/Profit before taxation		200	(152)	(6,370)	1,140
Tax expenses	<b>B5</b>	(120)	267	(127)	263
(Loss)/Profit after taxation		80	115	(6,497)	1,403
<b>(Loss)/Profit for the period</b>		80	115	(6,497)	1,403
<b>Other comprehensive (loss)/income, net of tax</b>					
<b>Item that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translation of foreign operations		(1,101)	97	(628)	203
<b>Total comprehensive (loss)/income for the period</b>		(1,021)	212	(7,125)	1,606
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(95)	7	(5,617)	1,966
Non-controlling interests		175	108	(880)	(563)
		80	115	(6,497)	1,403
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the Company		(1,196)	102	(6,247)	2,167
Non-controlling interests		175	110	(878)	(561)
		(1,021)	212	(7,125)	1,606
<b>Basic (loss)/earnings per ordinary share (sen)</b>	<b>B11</b>	(0.23)	0.02	(13.32)	4.66

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 2019 and the accompanying explanatory notes to the interim financial reports.

**Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 30 September 2020**

	← Attributable to owners of the Company →						Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	<i>Non-distributable</i>		<i>Distributable</i>		
				Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000
<b>At 1 January 2020</b>	49,691	(1,192)	(408)	13,263	61,354	14,293	75,647
Other comprehensive (loss)/ income for the financial period	-	-	(630)	-	(630)	2	(628)
Loss net of tax for the financial period	-	-	-	(5,617)	(5,617)	(880)	(6,497)
<b>Total comprehensive (loss)/ income for the financial period</b>	-	-	(630)	(5,617)	(6,247)	(878)	(7,125)
<b>At 30 September 2020</b>	<b>49,691</b>	<b>(1,192)</b>	<b>(1,038)</b>	<b>7,646</b>	<b>55,107</b>	<b>13,415</b>	<b>68,522</b>
<b>At 1 January 2019</b>	49,691	(1,192)	(562)	12,442	60,379	14,671	75,050
Profit net of tax for the financial year	-	-	-	821	821	154	975
Other comprehensive income/ (loss) for the financial year	-	-	154	-	154	(1)	153
<b>Total other comprehensive income for the financial year</b>	-	-	154	821	975	153	1,128
Contributions by and distribution to owners of the Company							
- Dividend paid on shares	-	-	-	-	-	(531)	(531)
<b>Total transaction with owners of the Company</b>	-	-	-	-	-	(531)	(531)
<b>At 31 December 2019</b>	<b>49,691</b>	<b>(1,192)</b>	<b>(408)</b>	<b>13,263</b>	<b>61,354</b>	<b>14,293</b>	<b>75,647</b>

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 2019 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 2020**

	<b>9 months period ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
(Loss)/Profit before tax	(6,370)	1,140
<b>Adjustment for non-cash items:-</b>		
Non-cash items arising from property, plant and equipment, rights-of-use assets, and investment properties	5,590	(1,201)
Bad debts written off	20	8
Provision for obsolete stocks	263	-
Interest expense on borrowings	518	897
Interest expense on lease obligations	65	-
Unrealised loss on foreign currency exchange	534	(543)
<b>Operating (loss)/profit before working capital changes</b>	<u>602</u>	<u>272</u>
<b>Changes in working capital:-</b>		
Inventories	1,772	(1,475)
Receivables	243	2,601
Payables	(2,362)	(2,096)
<b>Cash generated from/(used in) operations</b>	<u>255</u>	<u>(698)</u>
Interest paid	(31)	(55)
Tax refund	-	4,275
Tax paid	(101)	(632)
<b>Net cash generated from/(used in) operating activities</b>	<u>123</u>	<u>2,890</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property, plant and equipment	(939)	(6,392)
Interest received	18	29
Proceeds from disposal of property, plant and equipment	-	9,708
<b>Net cash (used in)/generated from investing activities</b>	<u>(921)</u>	<u>3,345</u>
<b>Cash Flows From Financing Activities</b>		
Net repayment of borrowings	(303)	(1,987)
Interest paid	(487)	(842)
Repayment of lease liabilities	(534)	-
Dividend paid	-	(531)
<b>Net cash used in financing activities</b>	<u>(1,324)</u>	<u>(3,360)</u>
<b>Effect of exchange rate changes</b>	214	1,244
<b>Net increase in cash and cash equivalents</b>	(1,908)	4,119
<b>Cash and cash equivalents brought forward</b>	13,447	14,408
<b>Cash and cash equivalents carried forward</b>	<u>@ 11,539</u>	<u>18,527</u>
<b>@ Cash and cash equivalents comprises of the following:-</b>		
Deposits placed with licensed banks	15	15
Cash and bank balances	11,524	18,512
	<u>11,539</u>	<u>18,527</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 2019 and the accompanying explanatory notes to the interim financial reports.

**A Notes to the Interim Financial Report on Consolidated Results for the Period Ended 30 September 2020**

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**A1 Basis of preparation**

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 2020 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 2019.

**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 2019.

**A3 Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2019 was not subject to any qualifications.

**A4 Seasonal or cyclical factors**

The Malaysian Automotive Association ("MAA"), reported that passenger vehicles recorded 151,132 new registrations for the quarter ended 30 September 2020, which represents a 15.15% increase as compared to 131,244 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**

Save as disclosed in the previous quarter with regards to the imposition of the Movement Control Order ("MCO") commencing 18th March 2020 (and subsequently the Conditional MCO) in response to the Covid-19 pandemic 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 2020**

**A9 Segmental reporting**

Segmental analysis of the results and assets employed for the 9 months period ended 30 September 2020:

<b>Business segments</b>	<b>Automotive Parts RM'000</b>	<b>Machinery Parts RM'000</b>	<b>Others RM'000</b>	<b>Consolidated RM'000</b>
Revenue from external customers	57,968	6,279	-	64,247
Segment results	(4,564)	(234)	(1,007)	(5,805)
Interest income				18
Financing costs				(583)
Loss before taxation				(6,370)
Tax expenses				(127)
Loss after taxation				(6,497)
Exchange differences on translation of foreign operations				(628)
Total comprehensive loss for the period				(7,125)
Segment assets	87,190	14,868	2,425	104,483
Unallocated corporate assets	275	221	35	531
<b>Total assets</b>				<b>105,014</b>
Segment liabilities	33,600	500	2,003	36,103
Unallocated corporate liabilities	269	-	120	389
<b>Total liabilities</b>				<b>36,492</b>
Capital expenditure	3,972	23	-	3,995
Depreciation and amortisation	5,072	196	322	5,590

**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 2020 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:

	<b>As at 30.09.2020 RM'000</b>	<b>As at 30.09.2019 RM'000</b>
Plant and equipment contracted but not provided for in the financial statements	1,841	403

**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			Current	Preceding		
	Year	Year			Year	Year		
	Coresponding				Coresponding			
	Quarter	Quarter	Changes		Quarter	Quarter	Changes	
30.09.2020	30.09.2019	RM'000	%	30.09.2020	30.09.2019	RM'000	%	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	31,400	31,334	66	0.2	64,247	91,970	(27,723)	(30.1)
Gross profit	4,602	3,020	1,582	52.4	5,091	7,755	(2,664)	(34.4)
(Loss)/Profit before interest and tax	360	164	196	119.5	(5,805)	2,008	(7,813)	(389.1)
(Loss)/Profit before tax	200	(152)	352	231.6	(6,370)	1,140	(7,510)	(658.8)
(Loss)/Profit after taxation	80	115	(35)	(30.4)	(6,497)	1,403	(7,900)	(563.1)
(Loss)/Profit attributable to the owners of the company	(95)	7	(102)	(1,457.1)	(5,617)	1,966	(7,583)	(385.7)

The Group reported revenue of RM31.40m and profit before tax ("PBT") of RM0.20m for the current quarter as compared to revenue of RM31.33m and loss before tax ("LBT") of RM0.15m 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 in Malaysia decreased by RM2.33m to RM16.22m. The drop was mainly due to reduction in volumes from Honda and Mazda amounting to RM1.42m and RM1.00m respectively. The segment recorded a PBT of RM0.94m compared to a PBT of RM0.21m in the previous year corresponding quarter ("Q3'19") as a result of better margins from product mix and improvements in control of wastage.

In Indonesia, revenue decreased by RM0.50m (52.52%) to RM0.45m as compared to previous year corresponding quarter. The unit recorded a LBT of RM0.39m against a LBT of RM0.41m in the previous year corresponding quarter. Losses were kept from escalating as management pared down headcount and cost in view of the much reduced volume.

Braking component segment recorded a 24.59% increase in revenue for the current quarter; from RM9.62m in Q3'19 to RM11.99m for the reporting period. PBT for the period was RM0.87m (Q3'19 : LBT RM0.58m). Post MCO local sales came back strongly; especially for Proton, with the new X70 model. Volumes for the export market (Toyota Thailand) also saw improvements.

**Machinery parts**

Revenue for the current quarter ("Q3'20") increased by RM0.28m to RM2.72m. PBT decreased by RM0.02m to RM0.18m for Q3'20 as compared to Q3'19.

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

**B2 Variation of results against preceding quarter**

	Current	Immediate	Changes	
	Quarter	Preceding		
	30.09.2020	30.06.2020	RM'000	%
	RM'000	RM'000		
Revenue	31,400	11,206	20,194	180.2
Gross profit	4,602	(895)	5,497	614.2
Profit/(Loss) before interest and tax	360	(2,208)	2,568	116.3
Profit/(Loss) before tax	200	(2,397)	2,597	108.3
Profit/(Loss) after taxation	80	(2,397)	2,477	103.3
Profit/(Loss) attributable to the owners of the company	(95)	(1,787)	1,692	94.7

The Group’s revenue and PBT improved significantly as compared to the immediate preceding quarter (Q2’ 20) mainly due to:

- i) resumption of local automotive sales (MCO plant shut down :18th Mar to 10th May)
- ii) increase in export sales (Toyota Thailand)
- iii) better control of cost and wastage

**Automotive parts**

The carpet segment (Malaysia) recorded an increase in revenue of RM11.46m (240.81%) to RM16.22m as compared to preceding quarter (Q2’20 : RM4.76m) resulting in a PBT of RM0.94m compared to a LBT of RM1.50m in Q2’20.

Revenue from the Indonesia operations improved by RM0.27m (150.28%) to RM0.45m (Q2’20 : RM0.18m). LBT for the reporting period was RM0.39m against a LBT of RM0.56m in the preceding quarter.

Revenue from braking components increased by RM7.36m (159.11%) to RM11.99m for the reporting period as compared to the preceding quarter. PBT for the reporting period was RM0.87m vs a LBT of RM0.94m for Q2’20.

**Machinery parts**

Machinery parts segment recorded an increase in revenue of RM1.08m to RM2.72m and PBT was RM0.18m vs a LBT of RM0.17m in Q2’20. Similar to the automotive parts, the segment was not allowed to operate for the most part of Q2’20.

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

**B3 Prospects for 2020**

**Automotive parts**

MAA industry forecast for 2020 (revised) are as follows:

Market segment	2020 Forecast	2019 Actual	Variance Units	%
Passenger vehicles	427,700	550,179	(122,479)	(22.3)
Commercial vehicles	42,300	54,108	(11,808)	(21.8)
Total vehicles	470,000	604,287	(134,287)	(22.2)

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 arising from COVID-19 pandemic. Prevailing conditions will limit maintenance jobs and projects availability.

**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 ended 30 September 2020.

**B5 Taxation**

Income tax income/(expenses):	3 months period ended		Financial year ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Current year	-	267	(127)	263
- Prior year	(120)	-	-	-
Deferred tax:				
- Origination and reversal of temporary differences	-	-	-	-
	(120)	267	(127)	263

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

	3 months period ended		Financial year ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Interest income	5	5	18	29
Other income including investment income	397	311	593	803
Gain on disposal of investment properties	-	589	-	6,127
Interest expenses	(165)	(321)	(583)	(897)
Depreciation and amortisation	(2,072)	(1,847)	(5,590)	(5,200)
Development cost	(67)	(52)	(517)	(415)
Net foreign currency exchange loss	(701)	10	(639)	(116)

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 2020.

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

**B8 Group borrowings**

Secured:-	As at 30 September 2020			As at 30 September 2019		
	Long term	Short term	Total	Long term	Short term	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revolving credit	-	8,919	8,919	-	13,955	13,955
Term loans	4,210	428	4,638	4,638	428	5,066
Bank overdraft	-	31	31	-	-	-
	<u>4,210</u>	<u>9,378</u>	<u>13,588</u>	<u>4,638</u>	<u>14,383</u>	<u>19,021</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 5.31% to 5.81% and 4.72% per annum respectively.

**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 2020.

**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

	For the quarter ended 30.09.2020 RM'000	For the cumulative 9 months ended 30.09.2020 RM'000
Loss attributable to Owners of the Company	(95)	(5,617)
Profit / (Loss) attributable to Non-Controlling Interests	<u>175</u>	<u>(880)</u>
Profit / (Loss) for the period	<u>80</u>	<u>(6,497)</u>
Weighted average number of ordinary shares	<u>42,163</u>	<u>42,163</u>
Basic earnings per share (sen)	<u>(0.23)</u>	<u>(13.32)</u>

There were no dilutive potential ordinary shares outstanding as at 30 September 2020 and that of the previous financial year. As a result, there were no diluted earnings per share for the financial period ended 30 September 2020 and the previous financial period.