

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

Interim Financial Report
31 March 2020

Unaudited Condensed Consolidated Statements of Financial Position

	Note	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		33,275	34,664
Right-of-use assets		14,086	15,631
Investment properties		854	857
Deferred tax assets		74	92
Total non-current assets		48,289	51,244
Current assets			
Inventories		20,007	18,849
Tax recoverable		388	348
Trade and other receivables		20,825	26,982
Prepayments		1,305	1,216
Cash and cash equivalents		14,964	13,978
Total current assets		57,489	61,373
TOTAL ASSETS		105,778	112,617
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		8,885	12,855
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		57,384	61,354
Non-controlling interest		13,853	14,293
Total equity		71,237	75,647
Non-current liabilities			
Loans and borrowings	B8	4,424	4,531
Lease liabilities		723	910
Deferred tax liabilities		155	155
Total non-current liabilities		5,302	5,596
Current liabilities			
Loans and borrowings	B8	9,355	9,890
Lease liabilities		457	528
Trade and other payables		19,313	20,839
Tax payable		114	117
Total current liabilities		29,239	31,374
Total liabilities		34,541	36,970
TOTAL EQUITY AND LIABILITIES		105,778	112,617
Net assets per share (RM)		1.28	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 31 March 2020

	Note	3 months period ended 31 March		3 months year ended 31 March	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Continuing operations					
Revenue		21,641	30,960	21,641	30,960
Cost of sale		(20,257)	(27,885)	(20,257)	(27,885)
Gross profit		1,384	3,075	1,384	3,075
Operating expenses		(5,420)	(4,641)	(5,420)	(4,641)
Other operating income		79	5,934	79	5,934
Operating (loss)/profit		(3,957)	4,368	(3,957)	4,368
Finance costs		(223)	(284)	(223)	(284)
Interest income		7	8	7	8
(Loss)/Profit before taxation		(4,173)	4,092	(4,173)	4,092
Tax expenses	B5	(7)	(55)	(7)	(55)
(Loss)/Profit after taxation		(4,180)	4,037	(4,180)	4,037
(Loss)/Profit for the period		(4,180)	4,037	(4,180)	4,037
Other comprehensive (loss)/income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(233)	31	(233)	31
Total comprehensive (loss)/income for the period		(4,413)	4,068	(4,413)	4,068
(Loss)/Profit attributable to:					
Owners of the Company		(3,735)	3,817	(3,735)	3,817
Non-controlling interests		(445)	220	(445)	220
		(4,180)	4,037	(4,180)	4,037
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(3,972)	3,848	(3,972)	3,848
Non-controlling interests		(441)	220	(441)	220
		(4,413)	4,068	(4,413)	4,068
Basic (loss)/earnings per ordinary share (sen)	B11	(8.86)	9.05	(8.86)	9.05

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

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 31 March 2020

	← Attributable to owners of the Company →						Non-controlling interests	Total equity
	Non-distributable			Distributable				
	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	RM'000	RM'000	
At 1 January 2020	49,691	(1,192)	(408)	13,266	61,357	14,293	75,650	
Other comprehensive (loss)/income for the financial period	-	-	(238)	-	(238)	5	(233)	
Loss net of tax for the financial period	-	-	-	(3,735)	(3,735)	(445)	(4,180)	
Total comprehensive (loss)/income for the financial period	-	-	(238)	(3,735)	(3,973)	(440)	(4,413)	
At 31 March 2020	49,691	(1,192)	(646)	9,531	57,384	13,853	71,237	
At 1 January 2019	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	
Total other comprehensive income for the financial year	-	-	154	821	975	153	1,128	
Contributions by and distribution to owners of the Company								
- Dividend paid on shares	-	-	-	-	-	(531)	(531)	
Total transaction with owners of the Company	-	-	-	-	-	(531)	(531)	
At 31 December 2019	49,691	(1,192)	(408)	13,263	61,354	14,293	75,647	

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.

Unaudited Condensed Consolidated Statement of Cash Flows for the Period Ended 31 March 2020

	3 months period ended 31 March	
	2020	2019
	RM'000	RM'000
Cash Flows From Operating Activities		
(Loss)/Profit before tax	(4,173)	4,092
Adjustment for non-cash items:-		
Non-cash items arising from property, plant and equipment, rights-of-use assets, and investment properties	1,649	(4,113)
Bad debts written off	20	-
Interest income	(7)	(8)
Interest expense on borrowings	200	284
Interest expense on lease obligations	23	-
Unrealised loss on foreign currency exchange	1,122	49
Operating (loss)/profit before working capital changes	<u>(1,166)</u>	<u>304</u>
Changes in working capital:-		
Inventories	(1,158)	(667)
Receivables	4,952	(3,982)
Payables	(1,551)	(2,249)
Cash generated from/(used in) operations	<u>1,077</u>	<u>(6,594)</u>
Interest paid	(20)	(6)
Tax refund	-	92
Tax paid	(33)	(342)
Net cash generated from/(used in) operating activities	<u>1,024</u>	<u>(6,850)</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(302)	(1,754)
Interest received	7	8
Proceeds from disposal of property, plant and equipment	-	6,198
Net cash (used in)/generated from investing activities	<u>(295)</u>	<u>4,452</u>
Cash Flows From Financing Activities		
Net repayment of borrowings	(111)	(146)
Interest paid	(180)	(278)
Repayment of lease liabilities	(177)	-
Net cash used in financing activities	<u>(468)</u>	<u>(424)</u>
Effect of exchange rate changes	1,256	565
Net increase in cash and cash equivalents	1,517	(2,257)
Cash and cash equivalents brought forward	13,447	14,408
Cash and cash equivalents carried forward	<u>@ 14,964</u>	<u>12,151</u>
@ Cash and cash equivalents comprises of the following:-		
Deposits placed with licensed banks	15	15
Cash and bank balances	14,949	12,136
	<u>14,964</u>	<u>12,151</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 31 March 2020

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 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 97,010 new registrations for the quarter ended 31 March 2020, which represents a 26.00% decrease as compared to 131,090 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 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.

A Notes to the Interim Financial Report on Consolidated Results for the Period Ended 31 March 2020

A9 Segmental reporting

Segmental analysis of the results and assets employed for the 3 months period ended 31 March 2020:

Business segments	Automotive Parts RM'000	Machinery Parts RM'000	Others RM'000	Consolidated RM'000
Revenue from external customers	19,721	1,920	-	21,641
Segment results	(2,529)	(239)	(1,189)	(3,957)
Interest income				7
Financing costs				(223)
Loss before taxation				(4,173)
Tax expenses				(7)
Loss after taxation				(4,180)
Exchange differences on translation of foreign operations				(233)
Total comprehensive loss for the period				(4,413)
Segment assets	84,547	15,856	4,912	105,315
Unallocated corporate assets	240	189	34	463
Total assets				105,778
Segment liabilities	29,199	1,471	3,603	34,273
Unallocated corporate liabilities	268	-	-	268
Total liabilities				34,541
Capital expenditure	293	9	-	302
Depreciation and amortisation	1,479	64	106	1,649

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 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:

	As at 31.03.2020 RM'000	As at 31.03.2019 RM'000
Plant and equipment contracted but not provided for in the financial statements	496	433

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	Coresponding	Quarter	Coresponding				
31.03.2020	31.03.2019	31.03.2020	31.03.2019					
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	21,641	30,960	(9,319)	(30.1)	21,641	30,960	(9,319)	(30.1)
Gross profit	1,384	3,075	(1,691)	(55.0)	1,384	3,075	(1,691)	(55.0)
(Loss)/Profit before interest and tax	(3,957)	4,368	(8,325)	(190.6)	(3,957)	4,368	(8,325)	(190.6)
(Loss)/Profit before tax	(4,173)	4,092	(8,265)	(202.0)	(4,173)	4,092	(8,265)	(202.0)
(Loss)/Profit after taxation	(4,180)	4,037	(8,217)	(203.5)	(4,180)	4,037	(8,217)	203.5
(Loss)/Profit attributable to the owners of the company	(3,735)	3,817	(7,552)	(197.9)	(3,735)	3,817	(7,552)	197.9

The Group reported revenue of RM21.64m and loss before tax ("LBT") of RM4.17m for the current quarter as compared to revenue of RM30.96m and profit before tax ("PBT") of RM4.09m respectively achieved in the previous year corresponding quarter. The significant drop in revenue is main due to:

- i) slow automotive sales
- ii) low volumes in the palm oil sector
- iii) the enforcement of the Movement Control Order ("MCO") commencing 18th March 2020

(Note: Q1'19 results includes a one-off gain on disposal of investment properties amounting to RM5.54m)

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 RM7.08m to RM10.80m which was due to plummeted sales from main customers such as Honda, Toyota and Perodua amounting to RM7.64m. However, there are increase in sales to Proton and Mazda by RM1m attributable to Proton facelift models and Maxda CX8. The segment recorded a LBT of RM1.21m compared to a PBT of RM0.43m in the previous year corresponding quarter.

In Indonesia, revenue increased by RM0.32m to RM1.05m as compared to previous year corresponding quarter was mainly due to improved sales for Daihatsu, Toyota and Isuzu in January and February 2020. The foreign operation continues to strengthen internal cost controls and strict control on material cost for continuous improvement, to cope with reduced sales starting from March 2020 due to COVID-19 pandemic.

Results from braking component segment improved by RM0.63m to a LBT of RM0.02m upon better margin due to improved control in operational costs. The segment has been recovering from previous year loss as a result of cost control initiatives.

Machinery parts

Revenue for the current quarter decreased by RM0.41m to RM1.92m which had been adversely affect by further delays and drop in supply of CPO. The PBT has also decreased by RM5.54m to LBT of RM0.23m in as compared to preceding quarter. The sharp decrease is 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 31.03.2020 RM'000	Immediate Preceding Quarter 31.12.2019 RM'000	Changes	
			RM'000	%
Revenue	21,641	33,768	(12,127)	(35.9)
Gross profit	1,384	3,880	(2,496)	(64.3)
(Loss)/Profit before interest and tax	(3,957)	626	(4,583)	(732.1)
(Loss)/Profit before tax	(4,173)	286	(4,459)	(1,559.1)
Loss after taxation	(4,180)	(338)	(3,842)	(1,136.7)
Loss attributable to the owners of the company	(3,735)	(1,055)	(2,680)	(254.0)

The Group’s revenue for the reporting period recorded decrease of RM12.13m in comparison to the immediate preceding quarter was mainly due to:

- i) slow automotive sales in Malaysia and Indonesia
- ii) the enforcement of the MCO commencing 18th March 2020

Automotive parts

Revenue from the carpet segment from Malaysia experienced sharp decrease by RM8.72m to RM10.80m as compared to preceding quarter due to low sales to Honda and MCO plant shutdown. As such the current quarter recorded a LBT of RM1.20m from a PBT of RM0.43m.

For Indonesia, the operation experienced a fall in revenue by 15.16% amounted to RM0.19m. In contrast with immediate preceding quarter, the decrease was mainly due to drop in demand from SGMW. SGMW source their major components from China which was under lockdown for most of Q1’2020.

Revenue from braking components deteriorated by RM2.83m to RM7.89m was mainly due to phased out of Mitsubishi ZC model and sharp fall of Honda sales.

Machinery parts

Machinery parts segment recorded an increase in revenue by RM0.49m to RM1.92m which was mainly attributed to due to carry over of orders from previous year. The continuous drop in supply of CPO hinders higher revenue. As such, the current quarter of the segment recorded further loss by RM0.03m to RM0.23m.

B3 Prospects for 2020

Automotive parts

MAA industry forecast for 2020 are as follows:

Market segment	2020 Forecast	2019 Actual	Variance	
			Units	%
Passenger vehicles	360,000	550,179	(190,179)	(34.6)
Commercial vehicles	40,000	54,108	(14,108)	(26.1)
Total vehicles	400,000	604,287	(204,287)	(33.8)

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

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

Machinery parts

Market conditions continues to be uncertain arising from COVID-19 pandemic and local MCO prolonged, the Management expect the demand as well as production to be adversely affected in coming months. The Management will remain cautious on credit sales to ensure minimal credit risk and will continue to strive for sales.

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 31 March 2020.

B5 Taxation

	3 months period ended		Financial year ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
Income tax income/(expenses):				
Current income tax:				
- Current year	(7)	(55)	(7)	(55)
- Prior year	-	-	-	-
Deferred tax:				
- Origination and reversal of temporary differences	-	-	-	-
	(7)	(55)	(7)	(55)

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	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
Interest income	7	8	7	8
Other income including investment income	79	384	79	384
Gain on disposal of investment properties	-	5,538	-	5,538
Interest expenses	(223)	(284)	(223)	(284)
Depreciation and amortisation	(1,649)	(1,576)	(1,649)	(1,576)
Development cost	(249)	(229)	(249)	(229)
Net foreign currency exchange loss	(1,178)	(125)	(1,178)	(125)

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 2020.

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

B8 Group borrowings

Secured:-	As at 31 March 2020			As at 31 March 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	-	8,927	8,927	-	13,954	13,954
Term loans	4,424	428	4,852	6,324	584	6,908
	<u>4,424</u>	<u>9,355</u>	<u>13,779</u>	<u>6,324</u>	<u>14,538</u>	<u>20,862</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 31 March 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 following:

	For the quarter ended 31.03.2020 RM'000	For the cumulative 3 months ended 31.03.2020 RM'000
Loss attributable to Owners of the Company	(3,735)	(3,735)
Loss attributable to Non-Controlling Interests	(445)	(445)
Loss for the period	<u>(4,180)</u>	<u>(4,180)</u>
Weighted average number of ordinary shares	<u>42,163</u>	<u>42,163</u>
Basic earnings per share (sen)	<u>(8.86)</u>	<u>(8.86)</u>

There were no dilutive potential ordinary shares outstanding as at 31 March 2020 and that of the previous financial year. As a result, there were no diluted earnings per share for the financial period ended 31 March 2020 and the previous financial period.