

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

Interim Financial Report
30 June 2021

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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 June 2021 RM'000	As at 31 December 2020 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		33,752	34,328
Right-of-use assets		14,688	14,931
Investment properties		837	844
Deferred tax assets		29	29
Total non-current assets		49,306	50,132
Current assets			
Inventories		23,340	18,351
Tax recoverable		551	514
Trade and other receivables		13,291	27,783
Prepayments		726	636
Cash and cash equivalents		18,903	17,026
Total current assets		56,811	64,310
TOTAL ASSETS		106,117	114,442
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		7,500	8,197
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		55,999	56,696
Non-controlling interest		13,740	13,861
Total equity		69,739	70,557
Non-current liabilities			
Loans and borrowings	B8	3,889	4,103
Lease liabilities		895	710
Deferred tax liabilities		276	276
Provision		65	65
Total non-current liabilities		5,125	5,154
Current liabilities			
Loans and borrowings	B8	9,350	9,352
Lease liabilities		625	588
Trade and other payables		21,247	28,647
Tax payable		31	144
Total current liabilities		31,253	38,731
Total liabilities		36,378	43,885
TOTAL EQUITY AND LIABILITIES		106,117	114,442
Net assets per share (RM)		1.25	1.27

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 2020 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 June 2021

	Note	3 months period ended 30 June		6 months period ended 30 June	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Continuing operations					
Revenue		22,687	11,206	57,433	32,847
Cost of sale		(20,972)	(12,101)	(51,577)	(32,358)
Gross profit		1,715	(895)	5,856	489
Operating expenses		(3,510)	(1,430)	(7,026)	(6,850)
Other operating income		562	117	700	196
Operating loss		(1,233)	(2,208)	(470)	(6,165)
Finance costs		(172)	(195)	(344)	(418)
Interest income		2	6	5	13
Loss before taxation		(1,403)	(2,397)	(809)	(6,570)
Tax expenses	B5	-	-	-	(7)
Loss after taxation		(1,403)	(2,397)	(809)	(6,577)
Loss for the period		(1,403)	(2,397)	(809)	(6,577)
Other comprehensive loss, net of tax Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(7)	706	(9)	473
Total comprehensive loss for the period		(1,410)	(1,691)	(818)	(6,104)
Loss attributable to:					
Owners of the Company		(963)	(1,787)	(688)	(5,522)
Non-controlling interests		(440)	(610)	(121)	(1,055)
		(1,403)	(2,397)	(809)	(6,577)
Total comprehensive loss attributable to:					
Owners of the Company		(970)	(1,079)	(697)	(5,051)
Non-controlling interests		(440)	(612)	(121)	(1,053)
		(1,410)	(1,691)	(818)	(6,104)
Basic loss per ordinary share (sen) B11		(2.28)	(4.24)	(1.63)	(13.10)

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 2020 and the accompanying explanatory notes to the interim financial reports.

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 30 June 2021

	← Attributable to owners of the Company →						Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Non-distributable		Distributable		
				Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000
At 1 January 2021	49,691	(1,192)	(668)	8,865	56,696	13,861	70,557
Other comprehensive loss for the financial period	-	-	(9)	-	(9)	-	(9)
Loss net of tax for the financial period	-	-	-	(688)	(688)	(121)	(809)
Total comprehensive loss for the financial period	-	-	(9)	(688)	(697)	(121)	(818)
At 30 June 2021	49,691	(1,192)	(677)	8,177	55,999	13,740	69,739
At 1 January 2020	49,691	(1,192)	(408)	13,263	61,354	14,293	75,647
Loss net of tax for the financial year	-	-	-	(4,398)	(4,398)	(431)	(4,829)
Other comprehensive loss for the financial year	-	-	(260)	-	(260)	(1)	(261)
Total other comprehensive loss for the financial year	-	-	(260)	(4,398)	(4,658)	(432)	(5,090)
At 31 December 2020	49,691	(1,192)	(668)	8,865	56,696	13,861	70,557

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 2020 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 June 2021

	6 months period ended 30 June	
	2021	2020
	RM'000	RM'000
Cash Flows From Operating Activities		
Loss before tax	(809)	(6,570)
Adjustment for non-cash items:-		
Non-cash items arising from property, plant and equipment, right-of-use assets, and investment properties	3,806	3,518
Bad debts written off	-	20
Interest income	(5)	(13)
Interest expense on borrowings	292	374
Interest expense on lease obligations	52	44
Unrealised loss on foreign currency exchange	7	(126)
Operating profit/(loss) before working capital changes	<u>3,343</u>	<u>(2,753)</u>
Changes in working capital:-		
Inventories	(4,989)	(109)
Receivables	14,948	12,488
Payables	(7,684)	(7,458)
Cash generated from operations	<u>5,618</u>	<u>2,168</u>
Interest paid	(52)	(25)
Tax paid	(149)	(102)
Net cash generated from operating activities	<u>5,417</u>	<u>2,041</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(2,961)	(1,648)
Interest received	5	13
Proceeds from disposal of property, plant and equipment	24	-
Net cash used in investing activities	<u>(2,932)</u>	<u>(1,635)</u>
Cash Flows From Financing Activities		
Net repayment of borrowings	(216)	(224)
Interest paid	(292)	(349)
Repayment of lease liabilities	(34)	(400)
Net cash used in financing activities	<u>(542)</u>	<u>(973)</u>
Effect of exchange rate changes	(66)	112
Net increase/(decrease) in cash and cash equivalents	1,877	(455)
Cash and cash equivalents brought forward	17,026	13,449
Cash and cash equivalents carried forward	<u>@ 18,903</u>	<u>12,994</u>
@ Cash and cash equivalents comprises of the following:-		
Deposits placed with licensed banks	15	15
Cash and bank balances	18,888	12,979
	<u>18,903</u>	<u>12,994</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 2020 and the accompanying explanatory notes to the interim financial reports.

A Notes to the Interim Financial Report on Consolidated Results for the Period 30 June 2021

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2021 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 2020.

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 2020.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2020 was not subject to any qualifications.

A4 Seasonal or cyclical factors

The Malaysian Automotive Association ("MAA"), reported that passenger vehicles recorded 223,838 new registrations for the quarter ended 30 June 2021, which represents a 41.90% increase as compared to 157,710 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

The Malaysian Government imposed the MovementControlOrder("MCO") 3.0 commencing 1st June 2021 in response to the Covid-19 pandemic. The MCO required temporary closure of all businesses within the Group. Further details are disclosed in notes B1 and B2.

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 30 June 2021

A9 Segmental reporting

Segmental analysis of the results and assets employed for the period ended 30 June 2021:

Business segments	Automotive	Machinery	Others	Consolidated
	Parts RM'000	Parts RM'000	RM'000	
Revenue from external customers	54,524	2,909	-	57,433
Segment results	(27)	(98)	(345)	(470)
Interest income				5
Finance costs				(344)
Loss before taxation				(809)
Tax expenses				-
Loss after taxation				(809)
Exchange differences on translation of foreign operations				(9)
Total comprehensive loss for the period				(818)
Segment assets	89,490	13,147	2,900	105,537
Unallocated corporate assets	274	270	36	580
Total assets				106,117
Segment liabilities	35,991	379	(299)	36,071
Unallocated corporate liabilities	307	-	-	307
Total liabilities				36,378
Capital expenditure	2,724	237	-	2,961
Depreciation and amortisation	3,391	140	212	3,743

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 2021 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 30.06.2021 RM'000	As at 30.06.2020 RM'000
Plant and equipment contracted but not provided for in the financial statements	649	487

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	Preceding Year	Changes		Current Year	Preceding Year	Changes	
	Quarter	Quarter			Quarter	Quarter		
	30.06.2021	30.06.2020	RM'000	%	30.06.2021	30.06.2020	RM'000	%
Revenue	22,687	11,206	11,481	102.5	57,433	32,847	24,586	74.9
Gross profit/(loss)	1,715	(895)	N/M	N/M	5,856	489	5,367	1,097.5
Loss before interest and taxation	(1,233)	(2,208)	975	44.2	(470)	(6,165)	5,695	92.4
Loss before taxation	(1,403)	(2,397)	994	41.5	(809)	(6,570)	5,761	87.7
Loss after taxation	(1,403)	(2,397)	994	41.5	(809)	(6,577)	5,768	87.7
Loss attributable to the owners of the company	(963)	(1,787)	824	46.1	(688)	(5,522)	4,834	87.5

Note: N/M = not meaningful

The Group reported revenue of RM22.69m and loss before taxation (“LBT”) of RM1.40m for the current quarter (“Q2’21”) as compared to revenue of RM11.21m and LBT of RM2.40m respectively in the previous year’s corresponding quarter (“Q2’20”). The significant increase in revenue is due to:

- i) increased sales in automotive segment in both Malaysia and Indonesia
- ii) the enforcement of the MCO 1.0 : 18th March to 3rd May 2020 (47 days for Q2’20)

Automotive parts

Revenue from the carpet segment in Malaysia increased significantly by RM5.60m to RM10.36m mainly contributed by increased demand from major customers. The segment recorded a LBT of RM0.44m compared to RM1.50m in Q2’20.

In Indonesia, revenue increased by RM1.53m to RM1.71m as compared to previous year corresponding quarter mainly due to increase in demand from Daihatsu, Isuzu and SGMW. LBT for the period was RM0.26m compared to RM0.66m in Q2’20.

Braking component segment revenue increased for the current quarter; from RM4.62m in Q2’20 to RM9.45m for the reporting quarter. LBT for the quarter was RM0.41m (Q2’20 : LBT RM0.94m).

Machinery parts

Revenue for Q2’21 decreased by RM0.47m to RM1.17m mainly due to the impact from the Covid 19 pandemic. LBT increased from RM0.23m for Q2’20 to RM0.93m for Q2’21.

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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		
	30.06.2021	31.03.2021	RM'000	%
	RM'000	RM'000		
Revenue	22,687	34,746	(12,059)	(34.7)
Gross profit	1,715	4,141	(2,426)	(58.6)
(Loss)/Profit before interest and taxation	(1,233)	763	N/M	N/M
(Loss)/Profit before taxation	(1,403)	594	N/M	N/M
(Loss)/Profit after taxation	(1,403)	594	N/M	N/M
(Loss)/Profit attributable to the owners of the company	(963)	275	N/M	N/M

Note: N/M = not meaningful

The Group's revenue for the reporting period recorded RM12.06m decrease in comparison to immediate preceding quarter ("Q1'2021") mainly due to decrease in local automotive sales.

- i) slow automotive and machinery parts sales in Malaysia
- ii) the enforcement of the MCO 3.0 which commenced on 1st June 2021

Automotive parts

The carpet segment (Malaysia) recorded a decrease in revenue of RM8.77m to RM10.36m as compared to preceding quarter (Q1'21 : RM19.13m). The segment recorded a LBT of RM0.44m compared to profit before tax ("PBT") of RM0.92m in the Q1'21.

Revenue from the Indonesia operations improved by RM0.71m to RM1.71m as compared to preceding quarter due to increased sales from Daihatsu, Isuzu and SGMW.

Revenue from braking components decreased by RM3.43m to RM9.45m for the reporting period as compared to the preceding quarter. LBT for the reporting period was RM0.41m against a PBT of RM0.24m for Q1'21.

Machinery parts

Machinery parts segment recorded a decreased in revenue of RM0.57m to RM1.17m. As such, the segment recorded a higher loss of RM0.93m (Q1'21 : LBT RM0.01m).

B3 Prospects for 2021

Automotive parts

MAA industry forecast for 2021 (revised) are as follows:

Market segment	2021	2020	Variance	
	Forecast	Actual	Units	%
Passenger vehicles	454,000	480,965	-26,965	(5.6)
Commercial vehicles	46,000	48,469	-2,469	(5.1)
Total vehicles	500,000	529,434	-29,434	(5.6)

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 due to the COVID-19 pandemic. Prevailing conditions will limit maintenance jobs and projects availability.

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

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 June 2021.

B5 Taxation

	3 months period ended		Financial period ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Income tax expenses:				
Current income tax:				
- Current year	-	-	-	(7)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7)</u>

The effective tax rate for the financial period under review was lower than the statutory tax rate due to availability of tax incentives in certain subsidiaries.

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

	3 months period ended		Financial period ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Interest income	2	6	5	13
Other income including investment income	562	117	700	196
Interest expenses	(172)	(195)	(344)	(418)
Depreciation and amortisation	(1,900)	(1,869)	(3,743)	(3,518)
Development cost	(229)	(202)	(532)	(451)
Net foreign currency exchange loss	(9)	1,240	(158)	62

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 2021.

B8 Group borrowings

	As at 30 June 2021			As at 30 June 2020		
	Long term	Short term	Total	Long term	Short term	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Secured:-						
Revolving credit	-	8,922	8,922	-	8,922	8,922
Term loans	3,889	428	4,317	4,317	428	4,745
	<u>3,889</u>	<u>9,350</u>	<u>13,239</u>	<u>4,317</u>	<u>9,350</u>	<u>13,667</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.

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

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 June 2021.

B11 Basic loss 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 30.06.2021 RM'000	For the cumulative 6 months ended 30.06.2021 RM'000
Loss attributable to Owners of the Company	(963)	(688)
Loss attributable to Non-Controlling Interests	(440)	(121)
Loss for the period	<u>(1,403)</u>	<u>(809)</u>
Weighted average number of ordinary shares	<u>42,163</u>	<u>42,163</u>
Basic loss per share (sen)	<u>(2.28)</u>	<u>(1.63)</u>

There were no dilutive potential ordinary shares outstanding as at 30 June 2021 and that of the previous financial year. As a result, there were no diluted earnings per share for the financial year ended 31 December 2020 and the previous financial year.