

SMIS Corporation Berhad

Registration No. 199901016957 (491857–V)
(Incorporated in Malaysia)

Interim Financial Report
31 March 2023

Interim Financial Report
SMIS Corporation Berhad
Registration No. 199901016957 (491857-V)
(Incorporated in Malaysia)
and its subsidiaries

Unaudited Condensed Consolidated Statements of Financial Position

	Note	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		27,469	27,048
Right-of-use assets		13,160	12,947
Deferred tax assets		24	23
Total non-current assets		40,653	40,018
Current assets			
Inventories		23,163	22,852
Tax recoverable		997	805
Trade and other receivables		28,240	30,330
Prepayments		1,390	937
Cash and cash equivalents		23,520	25,028
Total current assets		77,310	79,952
TOTAL ASSETS		117,963	119,970
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		26,738	24,174
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		75,237	72,673
Non-controlling interest		15,462	14,969
Total equity		90,699	87,642
Non-current liabilities			
Loans and borrowings	B9	3,139	3,246
Lease liabilities		256	313
Deferred tax liabilities		823	823
Provision		61	59
Total non-current liabilities		4,279	4,441

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Unaudited Condensed Consolidated Statements of Financial Position (Continued)

	Note	As at 31 March 2023 RM'000	As at 31 December 2022 RM'000
Current liabilities			
Loans and borrowings	B9	428	428
Lease liabilities		359	393
Trade and other payables		22,198	27,066
Total current liabilities		22,985	27,887
Total liabilities		27,264	32,328
TOTAL EQUITY AND LIABILITIES		117,963	119,970
Net assets per share (RM)		1.68	1.62

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 2022 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 31 March 2023

	Note	3 months period ended 31 March	
		2023 RM'000	2022 RM'000
Continuing operations			
Revenue		41,848	35,477
Cost of sale		(36,587)	(30,149)
Gross profit		5,261	5,328
Operating expenses		(3,951)	(3,408)
Other operating income		235	274
Operating profit		1,545	2,194
Finance costs		(56)	(164)
Interest income		20	1
Profit before taxation		1,509	2,031
Tax expenses	B5	-	(85)
Profit for the period		1,509	1,946
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		847	118
Total other comprehensive income for the period, net of tax		847	118
Total comprehensive income for the period		2,356	2,064
Profit attributable to:			
Owners of the Company		1,068	1,426
Non-controlling interests		441	520
		1,509	1,946
Total comprehensive income attributable to:			
Owners of the Company		1,905	1,544
Non-controlling interests		451	520
		2,356	2,064
Basic earnings per ordinary share (sen)	B12	2.53	3.38

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 2022 and the accompanying explanatory notes to the interim financial reports.

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 31 March 2023

	← Attributable to owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	<i>Non-distributable</i> Foreign currency translation reserve RM'000	<i>Distributable</i> Retained profits RM'000			
At 1 January 2023	49,691	(1,192)	(764)	24,938	72,673	14,969	87,642
Profit net of tax for the financial period	-	-	-	1,068	1,068	441	1,509
Other comprehensive income for the financial period	-	-	837	-	837	10	847
Total comprehensive income for the financial year	-	-	837	1,068	1,905	451	2,356
Dividend paid on shares	-	-	-	-	-	(191)	(191)
Changes in ownership interests in subsidiaries	-	-	-	659	659	233	892
Total transaction with owners of the Company	-	-	-	659	659	42	701
At 31 March 2023	49,691	(1,192)	73	26,665	75,237	15,462	90,699

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 31 March 2023

	← Attributable to owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	<i>Non-distributable</i> Foreign currency translation reserve RM'000	<i>Distributable</i> Retained profits RM'000			
At 1 January 2022	49,691	(1,192)	(343)	6,483	54,639	13,776	68,415
Profit net of tax for the financial year	-	-	-	18,453	18,453	1,195	19,648
Other comprehensive loss for the financial year	-	-	(421)	-	(421)	-	(421)
Total other comprehensive (loss)/income for the financial year	-	-	(421)	18,453	18,032	1,195	19,227
Changes in ownership interests in subsidiaries	-	-	-	2	2	(2)	-
Total transaction with owners of the Company	-	-	-	2	2	(2)	-
At 31 December 2022	49,691	(1,192)	(764)	24,938	72,673	14,969	87,642

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 2022 and the accompanying explanatory notes to the interim financial reports.

**Unaudited Condensed Consolidated Statement of Cash Flows for the
Period Ended 31 March 2023**

	3 months period ended 31 March	
	2023	2022
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	1,509	2,031
Adjustment for non-cash items:-		
Non-cash items arising from property, plant and equipment, right-of-use assets, and investment properties	1,640	1,690
Gain from disposal of investment property	-	(253)
Interest income	(20)	(1)
Interest expense on borrowings	51	147
Interest expense on lease obligations	5	17
Unrealised (gain)/loss on foreign currency exchange	(162)	66
Operating profit before working capital changes	<u>3,023</u>	<u>3,697</u>
Changes in working capital:-		
Inventories	(312)	(1,489)
Receivables	1,799	1,871
Payables	(4,865)	(5,666)
Cash used in operations	<u>(355)</u>	<u>(1,587)</u>
Interest paid	(5)	(17)
Tax paid	(192)	(161)
Net cash used in operating activities	<u>(552)</u>	<u>(1,765)</u>
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(1,610)	(2,378)
Interest received	20	1
Net cash used in investing activities	<u>(1,590)</u>	<u>(1,627)</u>
Cash Flows From Financing Activities		
Proceeds from equity interest to non-controlling interests	892	-
Net repayment of borrowings	(107)	(107)
Interest paid	(51)	(147)
Repayment of lease liabilities	(91)	(4)
Dividend paid to non-controlling interests in subsidiary	(191)	-
Net cash generated from/(used in) financing activities	<u>452</u>	<u>(258)</u>

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**Unaudited Condensed Consolidated Statement of Cash Flows for the
Period Ended 31 March 2023 (Continued)**

	3 months period ended 31 March	
	2023	2022
	RM'000	RM'000
Effect of exchange rate changes	182	118
Net decrease in cash and cash equivalents	(1,508)	(3,532)
Cash and cash equivalents brought forward	25,028	13,967
Cash and cash equivalents carried forward	<u>23,520</u>	<u>10,435</u>
	<u>23,520</u>	<u>10,435</u>
@ Cash and cash equivalents comprise of the following:-		
Cash and bank balances	23,520	10,435
	<u>23,520</u>	<u>10,435</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 2022 and the accompanying explanatory notes to the interim financial reports.

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**A Notes to the Interim Financial Report on Consolidated Results
for the Period Ended 31 March 2023**

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 2023 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 2022.

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 2022.

A3 Auditors’ report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2022 was not subject to any qualifications.

A4 Seasonal or cyclical factors

The Malaysian Automotive Association (“MAA”), reported that passenger vehicles recorded 171,955 new registrations for the quarter ended 31 March 2023, which represents a 22.31% increase as compared to 140,592 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 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 31 March 2023**

A9 Segmental reporting

Segmental analysis of the results and assets employed for the year ended 31 March 2023:

Business segments	Automotive	Machinery	Others	Consolidated RM'000
	Parts RM'000	Parts RM'000	RM'000	
Revenue from external customers	39,745	2,103	-	41,848
Segment results	1,386	187	(28)	1,545
Interest income				20
Finance costs				(56)
Profit before taxation				1,509
Tax expenses				-
Loss from continuing operations, net of tax				1,509
Loss from discontinued operation, net of tax				-
Profit after taxation				1,509
Exchange differences on translation of foreign operations				847
Total comprehensive income for the period				2,356
Segment assets	86,481	18,237	12,224	116,942
Unallocated corporate assets	330	655	36	1,021
Total assets				117,963
Segment liabilities	24,557	501	1,384	26,442
Unallocated corporate liabilities	822	-	-	822
Total liabilities				27,264
Capital expenditure	178	-	-	178
Depreciation and amortisation	1,449	77	108	1,634

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 2023 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.

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**A Notes to the Interim Financial Report on Consolidated Results
for the Period Ended 31 March 2023**

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 31.03.2023 RM'000	As at 31.03.2022 RM'000
Plant and equipment contracted but not provided for in the financial statements	178	1,252

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

B1 Review of performance

	Individual and Cumulative Period			
	Current Year	Preceding Year	Changes	
	Quarter	Quarter		
	31.03.2023	31.03.2022	RM'000	%
	RM'000	RM'000		
Revenue	41,848	35,477	6,371	18.0
Gross profit	5,261	5,328	(67)	(1.3)
Profit before interest and taxation	1,545	2,194	(649)	(29.6)
Profit before taxation	1,509	2,031	(522)	(25.7)
Profit after taxation	1,509	1,946	(437)	(22.5)
Profit attributable to the owners of the company	1,068	1,426	(358)	(25.1)

The Group reported revenue of RM41.85m and profit before taxation (“PBT”) of RM1.51m for the current quarter (“Q1'23”) as compared to revenue of RM35.48m and PBT of RM2.03m recorded in the previous year's corresponding quarter (“Q1'22”). The increase in revenue is due to increase in demand for automotive parts as the car companies continue to fulfill the bookings before the 31 March 2023 (deadline of delivery for the SST exemption) for bookings received prior to 30 June 2022 (cut-off date for sale tax exemptions). Despite the increase in revenue, the Q1'23 recorded a lower PBT compared to Q1'22 which was mainly due to increase in material cost and the impact of rising labour cost.

Automotive parts

Revenue from the carpet segment in Malaysia increased by RM3.12m to RM21.69m mainly contributed by increased demand from major customers, Perodua, Mazda and Proton. The segment recorded a lower PBT of RM1.25m compared to PBT of RM1.48m in Q1'22 as a result of lower product mix margin and the impact of rising labour cost.

In Indonesia, the revenue increased by RM0.65m to RM4.22m mainly due to increase in demand from Daihatsu and Hyundai. It recorded a lower PBT of RM0.01m compared to PBT of RM0.04m in Q1'22 due to increase in staff costs.

Revenue from braking component increased by RM1.82m to RM13.84m due to increase in sales to Proton. The segment recorded a lower PBT of RM0.08m compared to PBT of RM0.86m in Q1'22 as a result of lower product mix margin and the impact of rising labour cost.

Machinery parts

Revenue for Q1'23 increased by RM0.78m to RM2.10m. It recorded a PBT of RM0.20m compared to PBT RM0.08m in Q1'22 as a result of increase in revenue.

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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 Quarter 31.03.2023 RM'000	Immediate Preceding Quarter 31.12.2022 RM'000	Changes	
			RM'000	%
Revenue	41,848	41,704	144	0.3
Gross profit	5,261	5,119	142	2.8
Profit before interest and taxation	1,545	308	1,237	401.6
Profit before taxation	1,509	211	1,298	615.2
Profit after taxation	1,509	(801)	2,310	N/M
Profit attributable to the owners of the company	1,068	(614)	1,682	N/M

Note: N/M = not meaningful

The Group’s revenue for the reporting period has increased marginally by RM0.14m in comparison to immediate preceding quarter (“Q4’22”). Despite the slight increase in revenue, the Q1’23 recorded a higher PBT as compared to Q4’22 as there was implementation cost of RM0.79m for the new accounting and operation systems recorded in Q4’22 and increase in operating cost as a result of the rising labour cost.

Automotive parts

Revenue from the carpet segment in Malaysia increased by RM0.25m to RM21.69m as compared to Q4’22. The segment recorded a PBT of RM1.25m compared to PBT of RM0.40m in Q4’22 as a result of better product mix margin.

In Indonesia, revenue slightly decreased by RM0.30m to RM4.22m as compared to Q4’22 mainly due to decrease in demand from Hyundai. It recorded a PBT of RM0.01m compared to loss before taxation (“LBT”) of RM0.27m in Q4’22 as a result of better product mix margin.

Revenue from braking component decreased by RM0.56m to RM13.84m as compared to Q4’22 mainly due to decrease in sales to AH Brake Thailand. The segment recorded a PBT of RM0.08m compared to PBT of RM0.17m in Q4’22 as a result of decrease in sales.

Machinery parts

Revenue for Q1’23 increased by RM0.76m to RM2.10m. It recorded a PBT of RM0.20m compared to PBT of RM0.21m (which is derived from PBT of RM0.01m from operations and one-off gain of RM0.20m from disposal of investment property) in Q4’22.

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

B3 Prospects for 2023

Automotive parts

Malaysian Automotive Association (“MAA”) industry forecast for 2023 are as follows:

Market segment	2023 Forecast	2022 Actual	Variance Units	%
Passenger vehicles	585,000	641,773	(56,773)	(8.8)
Commercial vehicles	65,000	78,885	(13,885)	(17.6)
Total vehicles	650,000	720,658	(70,658)	(9.8)

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

Machinery parts

The Management will remain cautious of the performance as material and product costs continued to be high and will continue to strive to pursue sales for the following quarters.

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 2023.

B5 Taxation

	3 months period ended	
	31.03.2023	31.03.2022
	RM'000	RM'000
Income tax expenses:		
Current income tax:		
- Current year	-	-
- Prior year	-	-
Deferred tax:		
- Origination and reversal of temporary differences	-	56
Real property gain tax	-	29
	<u>-</u>	<u>85</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.

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

B7 Status of utilisation of proceed raised from corporate proposal

As at 19 May 2023, the status of utilisation of the proceed is as follows:

Details of use of proceeds	Proposed utilisations RM'000	Actual utilisation RM'000	Deviation in actual utilisation	Balance to be utilised	Intended
					timeframe for utilisation from 20 September 2022
(i) Repayment of bank borrowings	6,888	6,946	(58)	-	Within 6 months
(ii) Renovation of new operating premises	520	385	135	-	Within 14 months
(iii) Working capital	9,798	10,033	(235)	-	Within 12 months
(iv) Payment of RPGT	1,494	1,563	(69)	-	Within 3 months
(v) Defrayment of estimated expenses for the Proposed Disposal	1,200	973	227	-	Immediate
	<u>19,900</u>	<u>19,900</u>	<u>-</u>	<u>-</u>	

The use of proceeds as disclosed above should be read in conjunction with the Circular of the Company dated 2 June 2022.

B8 Notes to the Statements of Comprehensive Income

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

	3 months period ended	
	31.03.2023 RM'000	31.03.2022 RM'000
Interest income	20	1
Other income including investment income	22	20
Gain on disposal of investment property	-	254
Interest expenses	(56)	(164)
Depreciation and amortisation	(1,634)	(1,690)
Development cost	(115)	(424)
Net foreign currency exchange gain/(loss)	24	(66)

Other than the above, there was no gain or loss on disposal of quoted or unquoted investments, gain or loss on derivatives and exceptional items included in the results for the current period ended 31 March 2023.

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

B9 Group borrowings

Secured:-	As at 31 March 2023			As at 31 March 2022		
	Long term RM'000	Short term RM'000	Total RM'000	Long term RM'000	Short term RM'000	Total RM'000
Revolving credit	-	-	-	-	8,922	8,922
Term loans	3,139	428	3,567	3,567	428	3,995
	<u>3,139</u>	<u>428</u>	<u>3,567</u>	<u>3,567</u>	<u>9,350</u>	<u>12,917</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.

B10 Material litigation

The Company and its subsidiaries have no outstanding material litigation as at the date of this announcement.

B11 Dividend

The Board of Directors does not recommend any dividend for the current period ended 31 March 2023.

B12 Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the quarter is based on the following:

	For the quarter ended 31.03.2023 RM'000
Profit attributable to Owners of the Company	1,068
Profit attributable to Non-Controlling Interests	441
Profit for the period	<u>1,509</u>
Weighted average number of ordinary shares	<u>42,163</u>
Basic earnings per share (sen)	<u>2.53</u>

There were no dilutive potential ordinary shares outstanding as at 31 March 2023 and that of the previous financial year. As a result, there were no diluted earnings per share for the financial period ended 31 March 2023 and the previous financial period.