

SMIS Corporation Berhad

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

Interim Financial Report
30 September 2022

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 30 September 2022 RM'000	As at 31 December 2021 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		28,016	30,660
Right-of-use assets		13,994	14,345
Investment properties		475	993
Deferred tax assets		23	73
Total non-current assets		42,508	46,071
Current assets			
Inventories		22,931	21,332
Tax recoverable		787	673
Trade and other receivables		46,912	29,617
Prepayments		1,785	451
Cash and cash equivalents		11,855	13,967
Total current assets		84,270	66,040
TOTAL ASSETS		126,778	112,111
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		25,882	6,140
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		74,381	54,639
Non-controlling interest		15,158	13,776
Total equity		89,539	68,415
Non-current liabilities			
Loans and borrowings	B9	3,353	3,674
Lease liabilities		496	134
Deferred tax liabilities		323	323
Provision		45	45
Total non-current liabilities		4,217	4,176

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Unaudited Condensed Consolidated Statements of Financial Position (Continued)

	Note	As at 30 September 2022 RM'000	As at 31 December 2021 RM'000
Current liabilities			
Loans and borrowings	B9	7,342	9,350
Lease liabilities		611	705
Trade and other payables		25,069	29,425
Tax payable		-	40
Total current liabilities		33,022	39,520
Total liabilities		37,239	43,696
TOTAL EQUITY AND LIABILITIES		126,778	112,111
Net assets per share (RM)		1.66	1.22

Note:

- a) The consideration of disposal of leasehold land and building by Machinery & Industrial Supplies Sdn Bhd ("MIS"), a wholly-owned subsidiary of SMIS, amounting to RM19.90mil has been received in the following manner:
- i) The first 7% of RM1.39m has been deposited into MIS's account on 13 April 2022.
 - ii) The next 3% of RM0.60m has been paid to Inland Revenue Board of Malaysia on 22 April 2022.
 - iii) The balance 90% of RM17.91m has been deposited into Solicitor's account as stakeholder on 20 September 2022, was subsequently deposited to MIS's account on 17 October 2022.

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 2021 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 September 2022

	Note	3 months period ended 30 September		9 months period ended 30 September	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Continuing operations					
Revenue		41,098	15,853	112,695	73,286
Cost of sale		(35,949)	(16,021)	(97,334)	(67,598)
Gross profit/(loss)		5,149	(168)	15,361	5,688
Operating expenses		(3,603)	(2,745)	(10,463)	(9,771)
Other operating income		17,378	606	17,647	1,306
Operating profit/(loss)		18,924	(2,307)	22,545	(2,777)
Finance costs		(165)	(187)	(492)	(531)
Interest income		5	1	8	6
Profit/(Loss) before taxation		18,764	(2,493)	22,061	(3,302)
Tax expenses	B5	(1,533)	(38)	(1,612)	(38)
Profit/(Loss) for the period		17,231	(2,531)	20,449	(3,340)
Other comprehensive income/(loss), net of tax					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		384	359	675	350
Total other comprehensive income for the period, net of tax		384	359	675	350
Total comprehensive income/(loss) for the period		17,615	(2,172)	21,124	(2,990)
Profit/(Loss) attributable to:					
Owners of the Company		16,939	(2,131)	19,067	(2,819)
Non-controlling interests		292	(400)	1,382	(521)
		17,231	(2,531)	20,449	(3,340)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		17,323	(1,773)	19,742	(2,470)
Non-controlling interests		292	(399)	1,382	(520)
		17,615	(2,172)	21,124	(2,990)
Basic earnings/(loss) per ordinary share (sen)	B12	40.18	(5.05)	45.22	(6.69)

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 2021 and the accompanying explanatory notes to the interim financial reports.

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 30 September 2022

	← 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	Foreign currency translation reserve RM'000	Retained profits RM'000			
At 1 January 2022	49,691	(1,192)	(343)	6,483	54,639	13,776	68,415
Other comprehensive income for the financial period	-	-	675	-	675	-	675
Profit net of tax for the financial period	-	-	-	19,067	19,067	1,382	20,449
Total comprehensive income for the financial period	-	-	675	19,067	19,742	1,382	21,124
At 30 September 2022	49,691	(1,192)	332	25,550	74,381	15,158	89,539
At 1 January 2021	49,691	(1,192)	(668)	8,865	56,696	13,861	70,557
Loss net of tax for the financial year	-	-	-	(2,345)	(2,345)	(122)	(2,467)
Other comprehensive income for the financial year	-	-	325	-	325	-	325
Total other comprehensive income/(loss) for the financial year	-	-	325	(2,345)	(2,020)	(122)	(2,142)
Changes in ownership interests in subsidiaries	-	-	-	(37)	(37)	37	-
Total transaction with owners of the Company	-	-	-	(37)	(37)	37	-
At 31 December 2021	49,691	(1,192)	(343)	6,483	54,639	13,776	68,415

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 2021 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 2022**

	9 months period ended 30 September	
	2022	2021
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit/(Loss) before tax	22,061	(3,302)
Adjustment for non-cash items:-		
Non-cash items arising from property, plant and equipment, right-of-use assets, and investment properties	5,445	5,747
Gain from disposal of property, plant and equipment	(17,297)	-
Gain from disposal of investment property	(240)	-
Reversal of inventories written down	(848)	-
Interest income	(8)	(6)
Interest expense on borrowings	439	459
Interest expense on lease obligations	53	72
Unrealised (gain)/loss on foreign currency exchange	(70)	59
Operating profit before working capital changes	9,535	3,029
Changes in working capital:-		
Inventories	(751)	(4,308)
Receivables	(649)	14,397
Payables	(5,154)	(15,512)
Cash generated from/(used in) operations	2,981	(2,394)
Interest paid	(53)	(72)
Tax paid	(1,716)	(191)
Net cash generated from/(used in) operating activities	1,212	(2,657)
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(3,873)	(3,352)
Interest received	8	6
Proceeds from disposal of property, plant and equipment	2,779	24
Proceeds from disposal of investment property	750	-
Net cash used in investing activities	(336)	(3,322)
Cash Flows From Financing Activities		
Net repayment of borrowings	(2,328)	(325)
Interest paid	(439)	(459)
Repayment of lease liabilities	(143)	(599)
Net cash used in financing activities	(2,910)	(1,383)
Effect of exchange rate changes	(78)	(251)
Net decrease in cash and cash equivalents	(2,112)	(7,613)
Cash and cash equivalents brought forward	13,967	17,026
Cash and cash equivalents carried forward	@ 11,855	9,413

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**Unaudited Condensed Consolidated Statement of Cash Flows for the
Period Ended 30 September 2022 (Continued)**

	9 months period ended 30 September	
	2022	2021
	RM'000	RM'000
@ Cash and cash equivalents comprise of the following:-		
Deposits placed with licensed banks	-	15
Cash and bank balances	11,855	9,398
	<u>11,855</u>	<u>9,413</u>

Note:

- a) The consideration of disposal of leasehold land and building by Machinery & Industrial Supplies Sdn Bhd ("MIS"), a wholly-owned subsidiary of SMIS, amounting to RM19.90mil has been received in the following manner:
- The first 7% of RM1.39m has been deposited into MIS's account on 13 April 2022.
 - The next 3% of RM0.60m has been paid to Inland Revenue Board of Malaysia on 22 April 2022.
 - The balance 90% of RM17.91m has been deposited into Solicitor's account as stakeholder on 20 September 2022, was subsequently deposited to MIS's account on 17 October 2022.

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 2021 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 30 September 2022**

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 2022 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 2021.

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 2021.

A3 Auditors’ report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2021 was not subject to any qualifications.

A4 Seasonal or cyclical factors

The Malaysian Automotive Association (“MAA”), reported that passenger vehicles recorded 459,090 new registrations for the quarter ended 30 September 2022, which represents a 62.29% increase as compared to 282,881 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

Other than as disclosed in Note B6, 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 2022**

A9 Segmental reporting

Segmental analysis of the results and assets employed for the period ended 30 September 2022:

Business segments	Automotive	Machinery	Others	Consolidated
	Parts	Parts		
	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	107,996	4,699	-	112,695
Segment results	5,652	397	16,496	22,545
Interest income				8
Finance costs				(492)
Profit before taxation				22,061
Tax expenses				(1,612)
Loss from continuing operations, net of tax				20,449
Loss from discontinued operation, net of tax				-
Profit after taxation				20,449
Exchange differences on translation of foreign operations				675
Total comprehensive income for the period				21,124
Segment assets	86,447	8,956	30,564	125,967
Unallocated corporate assets	378	303	130	811
Total assets				126,778
Segment liabilities	27,366	1,458	8,092	36,916
Unallocated corporate liabilities	323	-	-	323
Total liabilities				37,239
Capital expenditure	3,873	-	-	3,873
Depreciation and amortisation	4,316	162	967	5,445

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 2022 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 30 September 2022**

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 30.09.2022 RM'000	As at 30.09.2021 RM'000
Plant and equipment contracted but not provided for in the financial statements	633	1,166

**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	Quarter	RM'000	%	Quarter	Quarter	RM'000	%
	30.09.2022	30.09.2021			30.09.2022	30.09.2021		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	41,098	15,853	25,245	159.2	112,695	73,286	39,409	53.8
Gross profit/(loss)	5,149	(168)	5,317	3,164.9	15,361	5,688	9,673	170.1
Profit/(Loss) before interest and taxation	18,924	(2,307)	21,231	920.3	22,545	(2,777)	25,322	911.8
Profit/(Loss) before taxation	18,764	(2,493)	21,257	852.7	22,061	(3,302)	25,363	768.1
Profit/(Loss) after taxation	17,231	(2,531)	19,762	780.8	20,449	(3,340)	23,789	712.2
Profit/(Loss) attributable to the owners of the company	16,939	(2,131)	19,070	894.9	19,067	(2,819)	21,886	776.4

The Group reported revenue of RM41.10m and profit before taxation (“PBT”) of RM18.76m (RM1.48m from operations and RM17.28m gains from disposal of MIS Property) for the current quarter (“Q3'22”) as compared to revenue of RM15.85m and loss before taxation (“LBT”) of RM2.49m respectively recorded in the previous year's corresponding quarter (“Q3'21”). The significant increase is due to increase in demand for automotive parts as the car companies continue to fulfill the bookings received prior to 30 June 2022 (cut-off date for sales tax exemptions), and also low revenue recorded in year 2021 due to enforcement of MCO commencing on 1 June 2021 within Malaysia, and until 10 September 2021 the Malaysian Government allowed Klang Valley to move into Phase 2 of National Recovery Plan.

Automotive parts

Revenue from the carpet segment in Malaysia increased by RM12.97m to RM19.86m mainly contributed by increased demand from major customers. The segment recorded a PBT of RM1.14m compared to LBT of RM1.62m in Q3'21.

In Indonesia, the revenue increased by RM2.74m to RM4.71m mainly due to increase in demand from Daihatsu and Hyundai. It recorded a PBT of RM0.27m compared to LBT of RM0.46m in Q3'21.

Revenue from braking component increased by RM9.34m to RM15.01m contributed by the increased in demand from local customers. The segment recorded a PBT of RM0.37m compared to LBT of RM0.32m in Q3'21.

Machinery parts

Revenue for Q3'22 increased by RM0.22m to RM1.53m. It recorded a PBT of RM17.25m (LBT of RM0.03m from operations and gain of RM17.28m from disposal of leasehold land and building) compared to LBT RM0.17m in Q3'21.

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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

	Immediate		Changes	
	Current	Preceding	RM'000	%
	Quarter	Quarter		
30.09.2022	30.06.2022			
	RM'000	RM'000		
Revenue	41,098	36,120	4,978	13.8
Gross profit	5,149	4,884	265	5.4
Profit before interest and taxation	18,924	1,427	17,497	1,226.1
Profit before taxation	18,764	1,266	17,498	1,382.1
Profit after taxation	17,231	1,272	15,959	1,254.6
Profit attributable to the owners of the company	16,939	702	16,237	2,313.0

The Group’s revenue for the reporting period increased by RM4.98m in comparison to immediate preceding quarter (“Q2’22”) mainly due to increase in local automotive sales as auto makers continue to fulfill bookings received up to 30 June 2022 qualifying for sales tax exemptions. These bookings must be fulfilled (i.e. vehicle registered) by 31 March 2023.

Automotive parts

Revenue from the carpet segment in Malaysia increased by RM1.49m to RM19.86m as compared to Q2’22. The segment recorded a lower PBT of RM1.14m compared to PBT of RM1.54m in Q2’22 due to the weakening of the Malaysian Ringgit causing an increase in material cost and the impact of rising labour cost.

In Indonesia, revenue increased by RM1.60m to RM4.71m as compared to Q2’22 mainly due to increase in demand from Daihatsu and Hyundai. It recorded a PBT of RM0.27m compared to LBT of RM0.01m in Q2’22.

Revenue from braking component increased by RM2.23m to RM15.01m, contributed by the increase in local automotive demand. The segment recorded a PBT of RM0.37m compared to LBT of RM0.17m in Q2’22.

Machinery parts

Revenue for Q3’22 decreased by RM0.33m to RM1.53m. It recorded a PBT of RM17.25m (operational LBT of RM0.03m and a gain of RM17.28m on disposal of leasehold land and building) compared to PBT RM0.27m in Q2’22.

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

B3 Prospects for 2022

Automotive parts

Malaysian Automotive Association (“MAA”) industry revised forecast for 2022 are as follows:

Market segment	2022	2021	Variance	
	Revised Forecast	Actual	Units	%
Passenger vehicles	567,000	452,663	114,337	25.3
Commercial vehicles	63,000	56,248	6,752	12.0
Total vehicles	630,000	508,911	121,089	23.8

On 21 July 2022, the MAA has released the revised forecast for the Total Industry Volume for 2022, with the expectation of a continued recovery momentum in Malaysia for the year.

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

Machinery parts

We remain cautious of the performance for the following quarter as business is continuing steadily but were impacted with higher costing.

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 2022.

B5 Taxation

Income tax expenses:	3 months period ended		Financial period ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Current year	-	(38)	-	(38)
- Prior year	(30)	-	(30)	-
Deferred tax:				
- Origination and reversal of temporary differences	-	-	50	-
Real property gain tax	1,563	-	1,592	-
	<u>1,533</u>	<u>(38)</u>	<u>1,612</u>	<u>(38)</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.

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

B6 Status of corporate proposals announced

On 8 April 2022, Machinery & Industrial Supplies Sdn Bhd (“MIS”), a wholly-owned subsidiary of SMIS had entered into a conditional sale and purchase agreement with Kah Motor Company Sdn Bhd for the proposed disposal of a parcel of leasehold industrial land identified as Lot 448, Seksyen 92 held under Title no. PN24544, located within the Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, together with a 3-storey office building annexed with a double-storey warehouse and other ancillary building, for a cash consideration of RM19.90m (“Proposed Disposal”).

On 20 September 2022, the balance purchase price of RM17.91m for the Proposed Disposal was deposited to the Solicitor's account as stakeholders. Accordingly, the Proposed Disposal is deemed completed.

The balance purchase price remained receivable as at quarter ended 30 September 2022, and subsequently deposited to MIS's account on 17 October 2022.

B7 Status of utilisation of proceed raised from corporate proposal

As at 16 November 2022, 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	274	-	246	Within 14 months
(iii) Working capital	9,798	2,205	127	7,466	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>11,961</u>	<u>-</u>	<u>7,939</u>	

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

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

B8 Notes to the Statements of Comprehensive Income

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

	3 months period ended		Financial period ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Interest income	5	1	8	6
Other income including investment income	106	606	313	1,306
Gain on disposal of MIS Property	17,279	-	17,279	-
Gain on disposal of investment property	-	-	238	-
Interest expenses	(165)	(187)	(492)	(531)
Reversal of inventories written down	23	-	848	-
Depreciation and amortisation	(1,875)	(1,942)	(5,445)	(5,685)
Development cost	(348)	132	(884)	(400)
Net foreign currency exchange gain	140	311	70	153

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 quarter ended 30 September 2022.

B9 Group borrowings

Secured:-	As at 30 September 2022			As at 30 September 2021		
	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	-	6,914	6,914	-	8,920	8,920
Term loans	3,353	428	3,781	3,781	428	4,209
	<u>3,353</u>	<u>7,342</u>	<u>10,695</u>	<u>3,781</u>	<u>9,348</u>	<u>13,129</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 30 September 2022.

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

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 30.09.2022 RM'000	For the cumulative 9 months ended 30.09.2022 RM'000
Profit attributable to Owners of the Company	16,939	19,067
Profit attributable to Non-Controlling Interests	292	1,382
Profit for the period	<u>17,231</u>	<u>20,449</u>
Weighted average number of ordinary shares	<u>42,163</u>	<u>42,163</u>
Basic earnings per share (sen)	<u>40.18</u>	<u>45.22</u>

There were no dilutive potential ordinary shares outstanding as at 30 September 2022 and that of the previous financial year. As a result, there were no diluted earnings per share for the financial period ended 30 September 2022 and the previous financial period.