

SMIS Corporation Berhad

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

Interim Financial Report
30 June 2024

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 June 2024 RM'000	As at 31 December 2023 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		27,739	27,976
Right-of-use assets		14,953	16,229
Deferred tax assets		5	5
Total non-current assets		42,697	44,210
Current assets			
Inventories		20,816	23,240
Tax recoverable		326	348
Trade and other receivables		24,607	25,195
Prepayments		1,213	708
Cash and cash equivalents		40,883	38,385
Total current assets		87,845	87,876
TOTAL ASSETS		130,542	132,086
EQUITY AND LIABILITIES			
Equity			
Share capital		49,691	49,691
Reserves		32,965	30,356
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		81,464	78,855
Non-controlling interest		20,174	18,229
Total equity		101,638	97,084
Non-current liabilities			
Loans and borrowings	B8	2,603	2,818
Lease liabilities		2,527	2,545
Deferred tax liabilities		511	511
Provision		71	74
Total non-current liabilities		5,712	5,948

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Unaudited Condensed Consolidated Statements of Financial Position (Continued)

	Note	As at 30 June 2024 RM'000	As at 31 December 2023 RM'000
Current liabilities			
Loans and borrowings	B8	428	428
Lease liabilities		587	858
Trade and other payables		21,668	27,248
Tax payable		509	520
Total current liabilities		23,192	29,054
Total liabilities		28,904	35,002
TOTAL EQUITY AND LIABILITIES		130,542	132,086
Net assets per share (RM)		1.82	1.76

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 2023 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 2024

		3 months period ended 30 June		6 months period ended 30 June	
	Note	2024	2023	2024	2023
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue		38,890	36,112	81,385	77,960
Cost of sale		(32,376)	(32,291)	(66,929)	(68,878)
Gross profit		6,514	3,821	14,456	9,082
Operating expenses		(4,400)	(3,550)	(8,964)	(7,501)
Other operating income		298	109	858	344
Operating profit		2,412	380	6,350	1,925
Finance costs		(46)	(50)	(93)	(106)
Interest income		98	18	113	38
Profit before taxation		2,464	348	6,370	1,857
Tax expenses	B5	(400)	(85)	(680)	(85)
Profit for the period		2,064	263	5,690	1,772
Other comprehensive (loss)/income, net of tax					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(666)	1,155	(612)	2,002
Total other comprehensive (loss)/income for the period, net of tax		(666)	1,155	(612)	2,002
Total comprehensive income for the period		1,398	1,418	5,078	3,774
Profit/(Loss) attributable to:					
Owners of the Company		969	(73)	3,149	995
Non-controlling interests		1,095	336	2,541	777
		2,064	263	5,690	1,772
Total comprehensive income attributable to:					
Owners of the Company		375	1,067	2,609	2,972
Non-controlling interests		1,023	351	2,469	802
		1,398	1,418	5,078	3,774
Basic earnings/(loss) per ordinary share (sen)	B11	2.30	(0.17)	7.47	2.36

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 2023 and the accompanying explanatory notes to the interim financial reports.

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 30 June 2024

	← 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 2024	49,691	(1,192)	347	30,009	78,855	18,229	97,084
Profit net of tax for the financial period	-	-	-	3,149	3,149	2,541	5,690
Other comprehensive loss for the financial period	-	-	(540)	-	(540)	(72)	(612)
Total comprehensive income for the financial period	-	-	(540)	3,149	2,609	2,469	5,078
Dividend paid on shares	-	-	-	-	-	(524)	(524)
Total transaction with owners of the Company	-	-	-	-	-	(524)	(524)
At 30 June 2024	49,691	(1,192)	(193)	33,158	81,464	20,174	101,638

Unaudited Condensed Consolidated Statements of Changes in Equity for the Period Ended 30 June 2024 (Continued)

	← 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 2023	49,691	(1,192)	(764)	24,938	72,673	14,969	87,642
(Loss)/Profit net of tax for the financial year	-	-	-	(385)	(385)	1,793	1,408
Other comprehensive loss for the financial year	-	-	1,111	-	1,111	14	1,125
Total comprehensive income/(loss) for the financial year	-	-	1,111	(385)	726	1,807	2,533
Dividend paid on shares	-	-	-	-	-	(191)	(191)
Changes in ownership interests in subsidiaries	-	-	-	5,456	5,456	1,644	7,100
Total transaction with owners of the Company	-	-	-	5,456	5,456	1,453	6,909
At 31 December 2023	49,691	(1,192)	347	30,009	78,855	18,229	97,084

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 2023 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 2024**

	6 months period ended 30 June	
	2024	2023
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	6,370	1,857
Adjustment for non-cash items:-		
Non-cash items arising from property, plant and equipment, right-of-use assets, and investment properties	2,841	3,271
Gain from disposal of property, plant and equipment	(66)	-
Reversal of inventories written down	-	(548)
Interest income	(113)	(38)
Interest expense on borrowings	85	96
Interest expense on lease obligations	8	10
Unrealised gain on foreign currency exchange	(72)	(208)
Operating profit before working capital changes	9,053	4,440
Changes in working capital:-		
Inventories	2,424	(990)
Receivables	153	3,298
Payables	(5,583)	(7,941)
Cash generated from/(used in) operations	6,047	(1,193)
Interest paid	(8)	(10)
Tax refund	35	-
Tax paid	(704)	(383)
Net cash generated from/(used in) operating activities	5,370	(1,586)
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(1,979)	(3,672)
Interest received	113	38
Proceeds from disposal of property, plant and equipment	66	-
Net cash used in investing activities	(1,800)	(3,634)
Cash Flows From Financing Activities		
Proceeds from equity interest to non-controlling interests	-	892
Net repayment of borrowings	(214)	(214)
Interest paid	(85)	(96)
Repayment of lease liabilities	(288)	(171)
Dividend paid to non-controlling interests in subsidiary	(524)	(191)
Net cash (used in)/generated from financing activities	(1,111)	220

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**Unaudited Condensed Consolidated Statement of Cash Flows for the
Period Ended 30 June 2024 (Continued)**

	6 months period ended 30 June	
	2024	2023
	RM'000	RM'000
Effect of exchange rate changes	39	404
Net increase/(decrease) in cash and cash equivalents	2,498	(4,596)
Cash and cash equivalents brought forward	38,385	25,028
Cash and cash equivalents carried forward	@ 40,883	20,432
@ Cash and cash equivalents comprise of the following:-		
Deposits placed with licensed banks	15,165	-
Cash and bank balances	25,718	20,432
	40,883	20,432

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 2023 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 June 2024**

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2024 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 2023.

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 2023.

A3 Auditors’ report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2023 was not subject to any qualifications.

A4 Seasonal or cyclical factors

The Malaysian Automotive Association (“MAA”), reported that passenger vehicles recorded 356,859 new registrations for the period ended 30 June 2024, which represents a 9.23% increase as compared to 326,697 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 30 June 2024 (Continued)**

A9 Segmental reporting

Segmental analysis of the results and assets employed for the period ended 30 June 2024:

Business segments	Automotive	Machinery	Others RM'000	Consolidated RM'000
	Parts RM'000	Parts RM'000		
Revenue from external customers	79,468	1,917	-	81,385
Segment results	7,003	(150)	(503)	6,350
Interest income				113
Finance costs				(93)
Profit before taxation				6,370
Tax expenses				(680)
Profit from continuing operations, net of tax				5,690
Profit from discontinued operation, net of tax				-
Profit after taxation				5,690
Exchange differences on translation of foreign operations				(612)
Total comprehensive income for the year				5,078
Segment assets	92,194	23,891	14,127	130,212
Unallocated corporate assets	7	322	1	330
Total assets				130,542
Segment liabilities	26,324	178	1,383	27,885
Unallocated corporate liabilities	1,019	-	-	1,019
Total liabilities				28,904
Capital expenditure	3,206	-	-	3,206
Depreciation and amortisation	2,471	117	253	2,841

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 2024 to the date of this announcement.

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for the Period Ended 30 June 2024 (Continued)**

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 30.6.2024 RM'000	As at 30.6.2023 RM'000
Plant and equipment contracted but not provided for in the financial statements	3,206	178

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			Quarter	Quarter		
	30.06.2024	30.06.2023			30.06.2024	30.06.2023		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	38,890	36,112	2,778	7.7	81,385	77,960	3,425	4.4
Gross profit	6,514	3,821	2,693	70.5	14,456	9,082	5,374	59.2
Profit before interest and taxation	2,412	380	2,032	534.7	6,350	1,925	4,425	229.9
Profit before taxation	2,464	348	2,116	608.0	6,370	1,857	4,513	243.0
Profit after taxation	2,064	263	1,801	684.8	5,690	1,772	3,918	221.1
Profit/(Loss) attributable to the owners of the company	969	(73)	1,042	N/M	3,149	995	2,154	216.5

Note: N/M = not meaningful

The Group reported higher revenue of RM38.89m and profit before taxation (“PBT”) of RM2.46m for the current quarter (“Q2’24”) as compared to revenue of RM36.11m and PBT of RM0.35m recorded in the previous year’s corresponding quarter (“Q2’23”). The increase in revenue and PBT are contributed from the carpet segment in Malaysia which in line with the sales report published by MAA.

Automotive parts

Revenue from the carpet segment in Malaysia increased by RM2.88m to RM22.58m mainly contributed by increased in demand from customers. The segment recorded a PBT of RM3.40m compared to PBT of RM1.09m in Q2’23 as a result of better margin from product mix and effective cost control.

In Indonesia, the revenue decreased marginally by RM0.16m to RM4.75m. It recorded a loss before taxation (“LBT”) of RM0.27 due to the decrease in sales and also the increase in staff related costs.

Revenue from braking components increased marginally by RM0.23m to RM10.51m. The segment recorded a LBT of RM0.55m compared to LBT of RM0.49m in Q2’23.

Machinery parts

The revenue from machinery parts segment decreased by RM0.16m to RM1.06m. It recorded a PBT of RM0.15m in Q2’24.

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

B2 Variation of results against preceding quarter

	Current Quarter 30.06.2024 RM'000	Immediate Preceding Quarter 31.03.2024 RM'000	Changes	
			RM'000	%
Revenue	38,890	42,495	(3,605)	(8.5)
Gross profit	6,514	7,942	(1,428)	(18.0)
Profit before interest and taxation	2,412	3,938	(1,526)	(38.8)
Profit before taxation	2,464	3,906	(1,442)	(36.9)
Profit after taxation	2,064	3,626	(1,562)	(43.1)
Profit attributable to the owners of the company	969	2,180	(1,211)	(55.6)

The Group's revenue for the reporting period has decreased by RM3.61m in comparison to the immediate preceding quarter ("Q1'24") due to shorter working days in Q2'24 for Hari Raya Aidilfitri and Hara Raya Qurban. It recorded a lower PBT of RM2.46m as a result of decrease in sales.

Automotive parts

Revenue from the carpet segment in Malaysia decreased by RM2.34m to RM22.58m as compared to Q1'24 due to the shorter working days as mentioned above. The decrease in PBT to RM3.40m as a results of decrease in sales.

In Indonesia, the revenue decreased by RM0.52m to RM4.75m as compared to Q1'24. It recorded a LBT of RM0.27m as compared to PBT of RM0.06 in Q1'24 as a result of decrease in sales and the increase in staff related cost.

Revenue from braking components decreased by RM0.93m to RM10.51m as compared to Q1'24. The segment recorded a LBT of RM0.55m as compared to PBT of RM0.44m in Q1'24 as a results of decrease in sales and lower margin from the product mix.

Machinery parts

Revenue for Q2'24 increased by RM0.20m to RM1.06m. It recorded a PBT of RM0.15m compared to LBT of RM0.19m in Q1'24.

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

B3 Prospects for 2024

Automotive parts

Malaysian Automotive Association ("MAA") industry forecast for 2024 are as follows:

Market segment	2024	2024	2023	Variance	
	Original Forecast	Revised Forecast	Actual	Units	%
Passenger vehicles	666,000	696,150	719,160	-23,010	(3.2)
Commercial vehicles	74,000	68,850	80,571	-11,721	(14.5)
Total vehicles	740,000	765,000	799,731	-34,731	(4.3)

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

Machinery parts

The Management remain cautious of its performance as the market remains competitive. Nonetheless, Management will continue to strive to increase sales for the following quarter.

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 2024.

B5 Taxation

	3 months period ended		Financial period ended	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
Income tax expenses:				
Current income tax:				
- Current year	400	85	680	85
Deferred tax:				
- Origination and reversal of temporary differences	-	-	-	-
	400	85	680	85

The effective tax rate for the financial period under review was lower than the statutory tax rate due to the availability of unutilised tax losses 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 (Continued)**

B7 Notes to the Statements of Comprehensive Income

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

	3 months period ended		Financial period ended	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	RM'000	RM'000	RM'000	RM'000
Interest income	98	18	113	38
Other income including investment income	270	40	721	61
Gain on disposal of property, plant and equipment	66	-	66	-
Interest expenses	(46)	(50)	(93)	(106)
Depreciation and amortisation	(1,435)	(1,637)	(2,841)	(3,271)
Development cost	(51)	(504)	(112)	(619)
Net foreign currency exchange loss	(152)	(75)	(243)	(51)

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 30 June 2024.

B8 Group borrowings

Secured:-	As at 30 June 2024			As at 30 June 2023		
	Long term	Short term	Total	Long term	Short term	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term loans	2,603	428	3,031	3,032	428	3,460
	2,603	428	3,031	3,032	428	3,460

All the above borrowings are denominated in Ringgit Malaysia and the Group does not have any foreign denominated borrowings or any unsecured borrowings. The term loans bears interest rate range from 4.47% to 4.72% per annum.

B9 Material litigation

Save as disclosed below, the Company and its subsidiaries have no outstanding material litigation as at the date of this announcement.

On 2 February 2024, PT Grand Sugihara Techno (formerly known as PT Grand Surya Techno) ("PT GST"), a 60.0%-owned subsidiary of the Company, was served with Re-stipulation Letter of Rate and/or Customs Value (SPKTNP) by the Director General of Customs and Excise under the Ministry of Finance of Republic of Indonesia, for the redetermination of Import Duty Safeguard Measures tariff on the import of goods by PT GST on 30 September 2023. The additional import duty tariff imposed amounted to Indonesian Rupiah 1,621,371,000 (amounted to approximately RM455,605).

In consultation with the tax solicitors, PT GST is of the view that there are reasonable grounds to disagree with the said letter.

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

B9 Material litigation (Continued)

Accordingly, PT GST has also initiated the necessary legal proceedings to defend and safeguard its position as follows:

On 6 March 2024, PT GST has filed an appeal to the Tax Court.

On 12 August 2024, the Tax Court has granted the proceedings of the appeal, and fixed the next hearing on 26 August 2024 to present the supporting documents.

On 26 August 2024, PT GST has presented the supporting documents as requested, and the Tax Court has fixed on 9 September 2024 for further case management.

In the light of the above on-going development, the provision for the additional import duty has been provided in the previous financial year ended 31 December 2023.

B10 Dividend

The Board of Directors does not recommend any dividend for the current period ended 30 June 2024.

B11 Basic earnings per ordinary share

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

	3 months period ended 30 June		6 months period ended 30 June	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Profit attributable to Owners of the Company	969	(73)	3,149	995
Profit attributable to Non-Controlling Interests	1,095	336	2,541	777
Profit for the period	<u>2,064</u>	<u>263</u>	<u>5,690</u>	<u>1,772</u>
Weighted average number of ordinary shares	42,163	42,163	42,163	42,163
Basic earnings per share (sen)	<u>2.30</u>	<u>(0.17)</u>	<u>7.47</u>	<u>2.36</u>

There were no dilutive potential ordinary shares outstanding as at 30 June 2024 and that of the previous financial year. As a result, there were no diluted earnings per share for the financial period ended 30 June 2024 and the previous financial period.