岩石汽车工业集团
SOLID AUTOMOTIVE BERHAD (1016725-P)

Incorporated in Malaysia

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 31 OCTOBER 2019 (1)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31.10.2019	Preceding Year Quarter 31.10.2018	Current Year-To-Date 31.10.2019	Preceding Year-To-Date 31.10.2018
		RM'000	RM'000	RM'000	RM'000
Revenue		72,025	35,862	137,082	65,355
Other operating income		124	279	717	1,154
Changes in inventories		(54,442)	(26,134)	(102,341)	(47,297)
Employee benefits		(6,822)	(4,769)	(14,398)	(9,613)
Depreciation of property, plant and equipment and investment properties		(495)	(733)	(1,400)	(1,439)
Finance cost		(611)	(237)	(1,164)	(424)
Operating expenses		(9,262)	(3,334)	(16,708)	(6,463)
Profit before tax	B5	517	934	1,788	1,273
Income tax expense	B6	(204)	(219)	(289)	(422)
Profit after tax		313	715	1,499	851
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Translation differences on foreign operation		82	139	123	222
Cash flow hedge		-	-	-	266
Total other comprehensive income		82	139	123	488
Total comprehensive income		395	854	1,622	1,339
Profit after tax attributable to:					
- Owners of the Company		112	715	1,087	851
- Non-controlling interests		201	-	412	-
		313	715	1,499	851
Total comprehensive income attributable to:					
- Owners of the Company		194	854	1,210	1,339
- Non-controlling interests		201	-	412	-
		395	854	1,622	1,339

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 31 OCTOBER 2019 [1] (CONT'D)

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter	Preceding Year Quarter	Current Year-To-Date	Preceding Year-To-Date
	Note	31.10.2019	31.10.2018	31.10.2019	31.10.2018
Earnings per share (sen) attributable to owners of the Company	B12				
- Basic [2]		0.08	0.18	0.33	0.22
- Diluted		0.07	0.16	0.29	0.19

Notes:

(1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 April 2019 and the accompanying explanatory notes attached to these interim financial statements.

(2) Based on the weighted average number of ordinary shares in issue as detailed in Note B12.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2019 (1)

	Note	As at 31.10.2019 RM'000	As at 30.04.2019 RM'000
ASSETS			
Non-current assets			
Investment properties		13,183	13,413
Property, plant and equipment		55,363	56,191
Other investments		239	239
Deferred tax assets		720	699
Goodwill		2,303	2,303
		71,808	72,845
Current assets			
Inventories		84,936	81,061
Trade receivables		49,307	50,013
Other receivables, deposits and prepayments		9,359	6,492
Current tax asset		1,606	2,071
Fixed deposits with licensed banks		3,500	7,722
Cash and bank balances		15,463	14,614
		164,171	161,973
TOTAL ASSETS		235,979	234,818

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2019 [(1)] (CONT'D)

	Note	As at 31.10.2019 RM'000	As at 30.04.2019 RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	B8	98,751	98,416
Merger deficit		(43,361)	(43,361)
Translation reserve		2,674	2,550
Warrant reserve		15,386	15,482
Retained earnings		69,565	68,478
Equity attributable to equity holders of the Company		143,015	141,565
Non-controlling interests		5,489	5,077
Total equity		148,504	146,642
LIABILITIES			
Non-current liabilities			
Long-term borrowings	B9	19,028	20,117
		19,028	20,117
Current liabilities			
Trade payables		19,670	20,303
Other payables and accruals		20,076	19,792
Short-term borrowings	B9	28,541	27,942
Derivative liability		4	10
Current tax liabilities		156	12
		68,447	68,059
TOTAL LIABILITIES		87,475	88,176
TOTAL EQUITY AND LIABILITIES		235,979	234,818
Net assets per share attributable to ordinary equity holders of the Company (RM)		0.36	0.36

Note:

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 April 2019 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 31 OCTOBER 2019 (1)

		<---- Attributable to equity holders of the Company ---->								
		<---- Non-distributable ---->					Distributable			
	Note	Share Capital RM'000	Merger Deficit RM'000	Translation Reserve RM'000	Warrant Reserve RM'000	Hedging Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
At 1 May 2019		98,416	(43,361)	2,550	15,482	-	68,478	141,565	5,077	146,642
Total comprehensive income for the period		-	-	123	-	-	1,087	1,210	412	1,622
Issuance of shares										
- Exercise of Warrants	B8	335	-	-	(95)	-	-	240	-	240
At 31 October 2019		98,751	(43,361)	2,673	15,387	-	69,565	143,015	5,489	148,504
At 1 May 2018		98,183	(43,361)	2,251	15,548	(266)	67,847	140,202	111	140,313
Total comprehensive income for the period		-	-	222	-	266	851	1,339	-	1,339
Issuance of shares										
- Exercise of Warrants	B8	171	-	-	(49)	-	-	122	-	122
Dividend paid		-	-	-	-	-	(784)	(784)	-	(784)
At 31 October 2018		98,354	(43,361)	2,473	15,499	-	67,914	140,879	111	140,990

Note:
(1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 30 April 2019 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 31 OCTOBER 2019 [(1)]

	Current Year-To-Date 31.10.2019 RM'000	Preceding Year-To-Date 31.10.2018 RM'000
Cash Flows for Operating Activities		
Profit before tax	1,788	1,273
Adjustments for:		
Net allowance for impairment losses on trade receivables	(187)	166
Depreciation of property, plant and equipment and investment properties	1,400	1,439
Interest expense	1,163	323
Interest income	(131)	(289)
Inventories written down/(reversal of inventories written down)	654	(75)
Fair value gain on short-term investments	-	(19)
Fair value gain on derivative	-	(126)
Gain on disposal of property, plant and equipment	(139)	(41)
Provision for warranty	-	4
Property, plant and equipment written off	-	-
Net unrealised (gain)/loss on foreign exchange	(304)	238
Operating profit before working capital changes	4,244	2,893
Increase in inventories	(4,529)	(5,429)
Increase in trade and other receivables	(1,670)	(5,525)
(Decrease)/increase in trade and other payables	(355)	1,075
Cash for operations	(2,310)	(6,986)
Interest received	-	181
Income tax paid, net of refund	299	(1,182)
Net cash for operating activities	(2,011)	(7,987)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 31 OCTOBER 2019 [1] (CONT'D)

	Current Year-To- Date 31.10.2019 RM'000	Preceding Year- To- Date 31.10.2018 RM'000
Cash Flows (for)/from Investing Activities		
Interest income received	131	107
Acquisition of:		
- property, plant and equipment	(739)	(1,762)
- investment properties	-	(37)
- short-term investments	-	-
Dividend paid	-	(784)
Proceeds from disposal of short-term investment	-	4,923
Proceeds from disposal of property, plant and equipment	536	42
Net cash (for)/from investing activities	(72)	2,489
Cash Flows (for)/from Financing Activities		
Net proceeds from issuance of new shares from:		
- exercise of warrants	240	122
Interest paid	(1,163)	(323)
Drawdown of hire purchase obligation	-	585
Repayment of hire purchase obligations	(183)	(74)
Drawdown of term loans	-	797
Repayment of term loans	(904)	(1,939)
(Repayment)/drawdown of revolving credit	(6,190)	1,500
Net drawdown of short-term bank borrowings	6,787	6,992
Net cash (used in)/from financing activities	(1,413)	7,660

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 31 OCTOBER 2019 (1) (CONT'D)

	Current Year-To- Date 31.10.2019 RM'000	Preceding Year- To- Date 31.10.2018 RM'000
Net (decrease)/increase in cash and cash equivalents	(3,496)	2,162
Effects of foreign exchange rates changes	123	183
Cash and cash equivalents at beginning of the period	19,291	10,436
Cash and cash equivalents at end of the period	15,918	12,781
Cash and cash equivalents at end of period comprise:		
Fixed deposits with licensed banks	3,500	1,531
Fixed deposits with maturity period more than 90 days	(3,045)	-
	455	1,531
Cash and bank balances	15,463	11,250
	15,918	12,781

Note:

(1) *The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 30 April 2019 and the accompanying explanatory notes attached to these interim financial statements.*

A EXPLANATION NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING

A1. Accounting Policies and Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), International Accounting Standard ("IAS") 34: Interim Financial Reporting issued by the International Accounting Standard Board ("IASB") and paragraphs 9.22 and 9.40 (Appendix 9B Part A) of the Main Market Listing Requirement ("Listing Requirements") of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the Audited Financial Statements for the financial year ended 30 April 2019.

The interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries ("the Group") since the financial year ended 30 April 2019.

The Group has adopted merger accounting method for the preparation of this interim financial statements. The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted as disclosed in the Audited Financial Statements for the financial year ended 30 April 2019.

During the current financial period, the Group has adopted the following new applicable accounting standards (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
IC Interpretation 23 Uncertainty Over Income Tax Treatments
Amendments to MFRS 9 : Prepayment Features with Negative Compensation
Annual Improvements to MFRS Standards 2015 – 2017 Cycles

The adoption of the above accounting standards (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

The Group has not applied in advance the following applicable accounting standards (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
Amendments to MFRS 3 : Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 : Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above applicable standards and interpretations is expected to have no material impact on the financial position and performance of the Group.

A2. Auditors' Report on Preceding Annual Financial Statements

The Auditors' Reports on the financial statements of the Company and its subsidiaries for the financial year ended 30 April 2019 were not qualified.

A3. Seasonality or Cyclicality of Operations

The Group's operations and financial results were not significantly affected by any seasonal or cyclical factors during the current financial quarter.

A4. Unusual Items

There were no significant items affecting the assets, liabilities, equity, net income, or cash flows of the Group that are unusual because of their nature, size and incidence during the current financial quarter.

A5. Changes in Estimates

There were no changes in the estimates that have a material effect on the financial results during the current financial quarter.

A6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter.

A7. Dividend Paid

No dividend was paid by the Company during the current financial quarter.

A8. Segment Information

The Group is organised into the 3 main reportable segments as follows:-

- Automotive electrical and related parts – involved in the trading and distribution of automotive batteries, lubricants, industrial supplies, electrical parts and components;
- Automotive engine and mechanical parts – involved in the trading and distribution of automotive engine and mechanical parts and components; and
- Others – involved in the investment and property holding and provision of management services.

A8. Segment Information (Cont'd)

Segmental information of the Group for the financial quarter-to-date ended 31 October 2019 is as follows:

	Automotive electrical and related parts RM'000	Automotive engine and mechanical parts RM'000	Others RM'000	Group RM'000
External revenue	120,539	15,948	595	137,082
Segment results	2,880	(815)	(277)	1,788
Unallocated expenses				-
Profit before tax				1,788

Segmental information of the Group for the financial quarter-to-date ended 31 October 2018 is as follows:

	Automotive electrical and related parts RM'000	Automotive engine and mechanical parts RM'000	Others RM'000	Group RM'000
External revenue	47,986	17,220	149	65,355
Segment results	1,135	1,011	(490)	1,656
Unallocated expenses				(383)
Profit before tax				1,273

On the basis of geographical segment, segmental information is presented based on the geographical location of customers:

	Current year to date 31 October 2019 RM'000	Preceding year to date 31 October 2018 RM'000
Revenue		
Malaysia	116,103	49,813
Middle East and Africa	15,042	8,941
Others	5,937	6,601
	137,082	65,355

No other segmental information such as segment assets, liabilities and results are presented as the Group is principally engaged in one industry, which involves the trading and distribution of automotive parts and components for the passenger and commercial vehicles in the automotive aftermarket segment in Malaysia and overseas.

A9. Subsequent Material Events

There were no material events subsequent to the end of the current financial quarter under review.

A10. Composition of the Group

There were no changes in the composition of the Group in the current financial quarter under review.

A11. Material Capital Commitments

	31 October 2019 RM'000
Purchase of property, plant and equipment	540

A12. Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets as at the end of the current financial quarter.

A13. Fair Value Information

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			**Total Fair Value**	**Carrying Amount**
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.10.2019								
Financial Liabilities								
Derivative liability:								
- foward currency contracts	-	4	-	-	-	-	4	4
Hire purchase payables	-	427	-	-	478	-	905	905
Term loans	-	21,468	-	-	-	-	21,468	21,468
30.04.2019								
Financial Liabilities								
Derivative liability:								
- foward currency contracts	-	10	-	-	-	-	10	10
Hire purchase payables	-	661	-	-	426	-	1,087	1,087
Term loans	-	22,259	-	-	-	-	22,259	22,259

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES MALAYSIA BERHAD

B1. Review of Performance

The revenue for the current quarter increased to RM72.025 million from RM35.862 million in the corresponding quarter in the preceding year mainly due to the inclusion of the revenue from the newly acquired subsidiary companies in January 2019 (namely Borneo Technical Co. (M) Sdn. Bhd. ("Borneo"), Wim Soon Auto Suppliers Sdn. Bhd. and Win Soon Auto Suppliers (JB) Sdn. Bhd. (collectively referred to as "Win Soon Group"). The revenue from Borneo and Win Soon Group is derived wholly from the domestic market.

Profit before tax for the current quarter has decreased to RM0.517 million compared to RM0.934 million in the corresponding quarter in the preceding year mainly due to higher operating expenses.

The revenue derived from our automotive electrical and related parts accounted for approximately 88% of total revenue while automotive engine and mechanical parts and others accounted for approximately 12% of total revenue compared to 73% and 27% respectively in the corresponding quarter in the preceding year.

B2. Variation of Results with the immediate preceding quarter

The Group's revenue for the current financial quarter of RM72.025 million showed an increase compared to the revenue of RM65.057 million for the immediate preceding quarter due to higher revenue from both our export market and domestic market for the current quarter.

The Group registered a profit before tax of RM0.517 million for the current quarter compared to RM1.271 million for the immediate preceding quarter mainly due to higher operating expenses.

B3. Prospects for the Group for the Financial Year ending 30 April 2020

The Malaysian economy is facing challenges with uncertain business conditions, higher cost of doing business and cost of living. The overseas market is affected by global economic weaknesses and uncertainties especially in the Middle East and the US-China trade dispute. The Group will continue to focus on its sales and marketing strategies in both domestic and export market to promote our in-house brands, expand our product range and expand our market presence in overseas countries especially in ASEAN countries. The Group will continue to pursue improvements to enhance our supply chain management, productivity and cost management.

The Group will strive to improve its current performance for the financial year ending 30 April 2020.

B4. Variance of Profit Forecast

No profit forecast has been issued by the Group previously in any public document.

B5. Notes to the Statement of Profit or Loss

The profit before tax is arrived at after charging / (crediting):-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.10.2019 RM'000	Preceding Year Quarter 31.10.2018 RM'000	Current Year--To-Date 31.10.2019 RM'000	Preceding Year-To-Date 31.10.2018 RM'000
Depreciation of property, plant and equipment and investment properties	495	733	1,400	1,439
Fair value gain on short-term investments	-	(9)	-	(19)
Gain on disposal of property, plant and equipment	(3)	(21)	(139)	(41)
Net allowance for impairment losses on trade receivables	(187)	56	(142)	166
Net gain on foreign exchange	(193)	51	(304)	150
Interest expense	663	175	1,163	323
Interest income	(75)	(148)	(131)	(289)
Net reversal of warranty claims	-	27	(1,174)	4
Inventories written down	219	(276)	654	(75)

Save as disclosed above, the other items as required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

B6. Income Tax Expense

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 31.10.2019 RM'000	Preceding Year Quarter 31.10.2018 RM'000	Current Year-To-Date 31.10.2019 RM'000	Preceding Year-To-Date 31.10.2018 RM'000
Income tax					
Current tax	- Current	204	266	289	544
Deferred tax	- Current	-	(47)	-	(122)
Tax expense		204	219	289	422

The effective tax rate for the current period is higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purpose.

B7. Status of Corporate Proposals

There were no corporate proposals announced but yet to be completed as at the date of this report.

B8. Share Capital

	Current Year-To-Date 31.10.2019	Preceding Year-To-Date 31.10.2018	Current Year-To-Date 31.10.2019	Preceding Year-To-Date 31.10.2018
	Number of shares			
	'000	'000	RM'000	RM'000
Issue And Fully Paid-Up				
Ordinary shares with no Par Value				
At 1 May 2019/2018	392,131	391,336	98,416	98,183
Issued for cash in respect of warrant exercised	1,141	583	240	122
Transfer from warrant reserve		-	95	49
At 31 Oct 2019/2018	393,272	391,919	98,751	98,354

B9. Group Borrowings

Total Group borrowings as at 31 October 2019 / 30 April 2019 were as follows:-

	As at 31.10.2019 RM'000	As at 30.04.2019 RM'000
Current (Secured)		
Denominated in Malaysian Ringgit		
Bankers' acceptances	9,815	6,614
Hire purchase payables	325	326
Term loans	2,825	2,825
Revolving credit	1,509	1,500
Denominated in US Dollars		
Foreign currency loan	12,886	9,628
Revolving credit	-	6,199
Denominated in Singapore Dollars		
Hire purchase payables	44	42
Term loan	151	149
Trust receipts	987	659
	28,542	27,942
Non-current (Secured)		
Denominated in Malaysian Ringgit		
Hire purchase payables	524	686
Term loan	16,718	17,568
Denominated in Singapore Dollars		
Hire purchase payables	11	33
Term loan	1,775	1,830
	19,028	20,117
Total Borrowings	47,570	48,059

B10. Material Litigation

The Group is not engaged in any material litigation neither as plaintiff nor defendant. The Directors are not aware of any proceedings pending against the Group as at the date of this report.

B11. Dividends

No dividend was declared for payment by the Company for the current quarter under review.

B12. Earnings Per Share

The earnings per share for the current quarter are computed as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.10.2019 RM'000	Preceding Year Quarter 31.10.2018 RM'000	Current Year-To-Date 31.10.2019 RM'000	Preceding Year-To-Date 31.10.2018 RM'000
Profit after tax attributable to owners of the Company	313	715	1,499	851
Weighted average number of ordinary share in issue ('000) (basic)	392,130	391,919	392,130	391,919
Effect of conversion of warrants	51,550	66,714	51,550	66,714
Weighted average number of ordinary shares in issue ('000) (diluted)	443,680	458,633	443,680	458,633
Basic Earnings Per Share (sen)	0.08	0.18	0.33	0.22
Diluted Earnings Per Share (sen)	0.07	0.16	0.29	0.19