

## **SMIS Corporation Berhad**

(Company No. 491857-V)

(Incorporated in Malaysia)

**and its subsidiaries**

### **A Notes to Interim Financial Report on Consolidated Results for the Year Ended 31 December 2014**

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#### **A1 Basis of preparation**

This interim financial report is based on the unaudited financial statements for the quarter ended 31 December 2014 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 2013.

These are the Group's interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

The adoption of the MFRSs and Amendments do not have any material impact on the financial statements of the Group.

#### **A2 Changes in Accounting Policies**

The significant policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013.

#### **A3 Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2013 was not subject to any qualifications.

#### **A4 Seasonal or cyclical factors**

As reported by the Malaysian Automotive Association (MAA), the passenger vehicles sector recorded 151,689 new passenger vehicles registrations for the quarter ended 31 December 2014, which represents a 3.8% increase as compared to 146,169 units for the corresponding period in the previous year. The Total Industry Volume for year ended 2014 was 666,465 units against 655,793 units in 2013, representing a 1.6% increase.

#### **A5 Unusual nature and amount of items affecting assets, liabilities, equity, net income and cash flows**

There were no unusual nature and amount of items, which affected 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.

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The following dividend was paid during the current period.

**In respect of financial year ended 31 December 2013**

First and final single tier dividend of 2.5 sen per ordinary share of RM1.00 each was paid on 10 July 2014.

**RM'000**1,055**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.

**A9 Segmental reporting**

Segmental analysis of the results and assets employed for the 12 months period ended 31 December 2014:

<i>Business Segments</i>	Automotive Parts RM000	Machinery Parts RM000	Plastic RM000	Others RM000	Eliminations RM000	Consolidated RM000
Revenue from external customers	126,003	15,209	5,531	-	-	146,743
Segment results	8,909	56	(3,094)	174	-	6,045
Interest income						184
Financing costs						(504)
Profit before taxation						5,725
Tax expense						(2,702)
Profit after taxation						3,023
Translation reserve						194
Total comprehensive income for the period						3,217

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<i>Business segments</i>	Automotive		Machinery			Eliminations	Consolidated
	Parts	Parts	Plastic	Others			
	RM000	RM000	RM000	RM000	RM000	RM000	RM000
<b>Segment assets</b>	83,201	18,921	14,826	2,163	(1,453)		117,658
<b>Total assets</b>							<u>117,658</u>
<b>Segment liabilities</b>	32,663	2,116	16,516	1,022	(20,594)		31,723
<b>Total liabilities</b>							<u>31,723</u>
<i>Business segments</i>	Automotive Parts	Machinery Parts	Plastic	Others	Eliminations		Consolidated
	RM000	RM000	RM000	RM000	RM000	RM000	RM000
Capital expenditure	6,754	34	584	-	-	-	7,372
Depreciation of investment properties	6	16	-	-	-	-	22
Depreciation of property, plant and equipment	4,856	360	557	-	-	-	5,773

No segmental reporting has been prepared for geographical segments as the Group's activities are predominantly carried out in Malaysia.

**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.

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#### 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 December 2014 to the date of this announcement.

#### A12 Changes in the composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 December 2014.

#### 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 31.12.2014 RM'000	As at 31.12.2013 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>823</u>	<u>654</u>

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

#### B1. Review of performance

The Group's performance for the quarter under review against the corresponding quarter of the previous financial year is tabled below:-

Revenue by segment	For the	For the	Increase / (Decrease)	
	quarter ended 31.12.2014 RM'000	quarter ended 31.12.2013 RM'000	RM'000	%
Automotive parts	29,291	30,167	(876)	(2.90%)
Machinery parts	5,222	3,888	1,334	34.31%
Plastic	1,252	1,434	(182)	(12.69%)
	<u>35,765</u>	<u>35,489</u>	<u>276</u>	<u>0.78%</u>
<b>PBT by segment</b>				
Automotive parts	1,489	2,406	(917)	(38.11%)
Machinery parts	(67)	(519)	452	87.09%
Plastic	(903)	(1,409)	506	35.91%
	<u>519</u>	<u>478</u>	<u>41</u>	<u>8.58%</u>

The Group's revenue recorded a 0.78% increase for the quarter ended 31 December 2014, in comparison to the previous corresponding period.

#### Automotive parts

The automotive division registered RM0.9m (2.9%) drop in turnover for the reporting period against the corresponding period of the previous year. Profit however; was reduced by 38.1% to RM1.5m from RM2.4m. The significant drop in profit was due to higher material cost caused by the weakening of the Malaysian Ringgit against the US Dollar.

#### Machinery parts

Revenue generation for the reporting quarter improved by 34.3% against the same period in the previous year as Q4q2013 saw the segment register one of the lowest turnover in recent years. Loss for the reporting period was due impairment of amount owing from Plaspoint Sdn Bhd of RM0.8m.

#### Plastic

The segment saw a contraction of 12.7% as demand was slower than expected.

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	Revenue		Profit before Tax	
	Quarter Ended 31.12.2014 RM000	Quarter Ended 30.09.2014 RM000	Quarter Ended 31.12.2014 RM000	Quarter Ended 30.09.2014 RM000
<b>Consolidated total</b>	<b>35,765</b>	<b>36,974</b>	<b>1,049</b>	<b>743</b>
<b>Business Segment:</b>				
Automotive parts	29,291	31,327	1,489	1,603
Machinery parts	5,222	3,765	(67)	92
Plastic Resin	1,252	1,882	(903)	(778)

The Group's revenue for the reporting period recorded a 3.3% decrease in comparison to the preceding quarter.

**Automotive parts**

Revenue dropped by 6.5%; slower demand in braking products was caused by; 1) customer production line upgrading and 2) parts vendor issues faced by another customer. Profits suffered a drop of 7.1% in line with the reduced demand and higher operating cost.

**Machinery parts**

The segment recorded a 38.7% improvement in sales against the previous quarter as many orders in hand carried forward were executed in the current reporting period. As reported in B1 above loss for the reporting period was due impairment of amount owing from Plaspoint Sdn Bhd of RM0.8m.

**Plastic**

Revenue dropped by 33.5% as most of the year-end sales production demand was recorded in the previous quarter.

**B3. Prospects for 2015****Automotive parts**

MAA industry forecast for 2015 is as follows:

Market segment	2015	2014	Variance	
	Forecast	Actual	Units	%
Passenger vehicles	600,700	588,341	12,359	2.1%
Commercial vehicles	79,300	78,124	1,176	1.5%
Total vehicles	680,000	666,465	13,535	2.0%

As reported by MAA the following factors were taken into account in the above forecast and would have an impact on the automotive market,

- declining crude oil prices and political instability in the Middle East
- declining world economic outlook and the weakening of the Malaysian Ringgit
- inflation and the implementation of the Goods and Services Tax (GST)
- continuation of the Economic Transformation Programme

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#### B3. Prospects for 2015 (cont’d)

##### Automotive parts (cont’d)

- slowdown in consumer spending in light of the economic uncertainties and the implementation of the GST
- tightening of lending guidelines including for hire purchase loans
- aggressive promotional campaigns by car companies

In view of the above we expect the local market to be relatively flat with potential for modest growth.

##### Machinery parts

As most of the segments revenue is derived from the local sales, again; we expect the market to be relatively flat. Any significant growth potential for the segment would depend on its ability in expanding its export based revenue.

##### Plastic

Initiatives in offering greater product range and diversifying its customer base is expected to soften the impact of the weak demand from the consumer electronics market. With more products being qualified by current clients and impending projects in the pipeline the segment expects the current trend to continue with further improvements in performance.

#### 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 financial period ending 31 December 2014.

#### B5. Taxation

	3 months period ended		Financial period ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	(1,224)	(801)	(2,736)	(3,579)
- Prior year	235	113	235	123
	(989)	(688)	(2,501)	(3,456)
Deferred tax				
- Origination and reversal of temporary differences	(456)	353	(153)	259
- Prior year	460	90	(48)	137
	(985)	(245)	(2,702)	(3,060)

The Group's effective tax rate for the current quarter was higher than the statutory tax rate of 25% mainly due to certain expenses not being deductible for tax purposes.

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**B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements****B6. Status of corporate proposals announced**

There were no new corporate proposals announced but not completed as of the date of this report.

**B7. Notes to the Statement of Comprehensive Income**

Profit for the period is arrived at after charging / crediting :

	3 months period ended		Financial year ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Interest income	54	109	184	252
Other income including investment income	739	630	1011	1,258
Interest expenses	(110)	(92)	(420)	(512)
Depreciation and amortization	(1,672)	(1,451)	(5,795)	(4,987)
Development cost	(467)	(12)	(922)	(374)
Net foreign exchange gain	402	161	422	509

Other than the above, there was no gain or loss on disposal of quoted or unquoted investments or properties, gain or loss on derivatives and exceptional items included in the results for the current quarter ended 31 December 2014.

**B8. Group's borrowings and debt securities**

	31.12.2014
	RM'000
	Secured
<b>Current</b>	
Borrowings . Bankers' acceptances	1,535
Borrowings . Short Term Revolving Credit	302
Borrowings . Term loan	134
Borrowings . Bank Overdraft	2,724
	<u>4,695</u>
<b>Non-current</b>	
Repayable after more than 12 months	
Borrowings - Term Loan	2,095
	<u>2,095</u>

Bankers Acceptance, revolving credit and bank overdraft are secured by corporate guarantee. Term loan is secured by a fixed charge over a subsidiary's land and building and corporate guarantee.



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Main Market Listing Requirements****B9. Material litigation**

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

**B10. Dividend**

No decision has been made on dividend payment for the year ended 31 December 2014.

**B11. Retained Earnings**

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit / (loss)	61,146	63,332
- Unrealised profit / (loss)	215	720
	<u>61,361</u>	<u>64,052</u>
Less : Consolidated Adjustments	<u>(32,733)</u>	<u>(36,256)</u>
Total retained earnings	<u><u>28,628</u></u>	<u><u>27,796</u></u>

**B12. Basic earnings per ordinary share**

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

	For the quarter ended 31.12.2014 RM'000	For the cumulative 12 months period ended 31.12.2014 RM'000
Profit for the period	255	2,335
Profit attributable to minority interest	<u>(191)</u>	<u>688</u>
Profit for the period attributable to Shareholders of the Company	<u><u>64</u></u>	<u><u>3,023</u></u>
Weighted average number of ordinary shares	<u><u>42,188</u></u>	<u><u>42,193</u></u>
Basic earnings per share (sen)	<u><u>0.60</u></u>	<u><u>5.53</u></u>

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Interim Financial Report  
31 December 2014