

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

Condensed Consolidated Statement of Financial Position as at 31 March 2015
(unaudited)

	Note	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		32,905	33,106
Investment properties		450	455
Intangible assets		710	710
Deferred tax assets		1,232	1,297
Total non current assets		<u>35,297</u>	<u>35,568</u>
Current assets			
Trade and other receivables		37,514	42,042
Prepayments		3,065	3,004
Inventories		16,485	16,159
Tax recoverable		1,029	807
Cash and bank balances		25,592	20,253
Total current assets		<u>83,685</u>	<u>82,265</u>
TOTAL ASSETS		<u>118,982</u>	<u>117,833</u>
Equity			
Share capital		44,800	44,800
Reserves		35,537	34,332
Less: 2,615,100 treasury shares, at cost		(1,177)	(1,177)
Total equity attributable to the shareholders of the Company		79,160	77,955
Non-controlling interests		6,229	5,881
Total equity		<u>85,389</u>	<u>83,836</u>
Non-current liabilities			
Loans and borrowings	B8	2,196	2,099
Other financial liabilities		45	45
Deferred tax liabilities		364	393
Total non current liabilities		<u>2,605</u>	<u>2,537</u>
Current liabilities			
Loans and borrowings	B8	4,520	4,691
Provision for warranties		288	288
Trade and other payables		26,056	26,195
Tax payable		124	286
Total current liabilities		<u>30,988</u>	<u>31,460</u>
TOTAL EQUITY AND LIABILITIES		<u>118,982</u>	<u>117,833</u>
Net assets per share (RM)		1.77	1.74

Note:-

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Comprehensive Income for the 3 months period ended 31 March 2015
(unaudited)

	Note	3 months period ended 31 March		3 months period ended 31 March	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue		40,544	35,482	40,544	35,482
Cost of sales		(34,553)	(29,597)	(34,553)	(29,597)
Gross profit		5,991	5,885	5,991	5,885
Operating expenses		(4,774)	(3,694)	(4,774)	(3,694)
Other operating income		520	251	520	251
Operating profit		1,737	2,442	1,737	2,442
Financing costs		(143)	(468)	(143)	(468)
Interest income		26	45	26	45
Profit before taxation		1,620	2,019	1,620	2,019
Tax expense	B5	(274)	(509)	(274)	(509)
Profit after taxation		1,346	1,510	1,346	1,510
Other comprehensive income, net of tax					
Item that will not be reclassified					
subsequently to profit or loss					
Remeasurement of financial liabilities		-	-	-	-
Available-for-sale financial assets - reclassified to profit or loss		381	-	381	-
Foreign currency translation differences for foreign operations		207	(25)	207	(25)
Other comprehensive income for the period, net of tax		588	(25)	588	(25)
Total comprehensive income for the period		1,934	1,485	1,934	1,485
Profit attributable to:					
Owners of the Company		1,005	969	1,005	969
Non-controlling interests		341	541	341	541
Profit for the period		1,346	1,510	1,346	1,510
Total comprehensive income attributable to :					
Owners of the Company		1,205	883	1,205	883
Non-controlling interests		348	602	348	602
Total comprehensive income for the period		1,553	1,485	1,553	1,485
Basic earnings per ordinary share (sen)	B12	2.38	2.30	2.38	2.30
Diluted earnings per ordinary share (sen)		N/A	N/A	N/A	N/A

Notes :-

N/A = Not applicable

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Changes in Equity for the 3 months period ended 31 March 2015
(unaudited)

	← Attributable to the owners of the Company →							
	← Non-distributable →				Distributable			
	Share capital RM'000	Treasury share RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
At 1 January 2015	44,800	(1,177)	4,891	241	29,200	77,955	5,881	83,836
Foreign exchange translation reserve	-	-	-	200	-	200	7	207
Total other comprehensive income for the financial period	-	-	-	200	-	200	7	207
Profit net of tax for the period	-	-	-	-	1,005	1,005	341	1,346
Total comprehensive income for the period	-	-	-	200	1,005	1,205	348	1,553
At 31 March 2015	44,800	(1,177)	4,891	441	30,205	79,160	6,229	85,389
At 1 January 2014	44,800	(1,166)	4,891	53	27,796	76,374	4,888	81,262
Remeasurement of financial liability	-	-	-	-	381	381	-	381
Foreign exchange translation reserve	-	-	-	188	-	188	8	196
Total other comprehensive income for the financial year	-	-	-	188	381	569	8	577
Profit net of tax for the year	-	-	-	-	2,526	2,526	537	3,063
Total comprehensive income for the financial year	-	-	-	188	2,907	3,095	545	3,640
Contributions by and distribution to owners of the Company								
- Purchase of own shares	-	(11)	-	-	-	(11)	-	(11)
- Dividends to owners of the Company	-	-	-	-	(1,055)	(1,055)	-	(1,055)
- Remeasurement of non-controlling interests	-	-	-	-	(448)	(448)	448	-
Total transaction with owners of the Company	-	(11)	-	-	(1,503)	(1,514)	448	(1,066)
At 31 December 2014	44,800	(1,177)	4,891	241	29,200	77,955	5,881	83,836

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Cash Flow Statement for the 3 months period ended 31 March 2015
 (unaudited)

	For the 3 months period ended 31 March 2015 RM'000	For the 3 months period ended 31 March 2014 RM'000
Cash flows from operating activities		
Profit before taxation from operations	1,620	2,019
Adjustment for non-cash items:		
Depreciation of investment properties	6	5
Depreciation of plant and equipment	1,280	1,236
Dilution of NCI's share capital	-	(141)
Derecognised of Cleon	-	40
Gain / Loss on disposal of property, plant and equipment	(6)	1
Amortisation of prepaid lease payments	5	-
Interest paid	123	417
Interest income	(26)	(233)
Unrealised foreign exchange (gain) / loss	169	86
Operating profit before changes in working capital	3,171	3,430
Changes in working capital:		
Inventories	(326)	107
Receivables	4,291	(1,012)
Payables	(491)	(4,233)
Cash (used in) / generated from operations	6,645	(1,708)
Tax paid	(796)	(1,023)
Tax refund	174	250
Interest paid	(123)	(417)
Net cash (used in) / generated from operating activities	5,900	(2,898)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(965)	(655)
Proceeds from disposal of property, plant and equipment	6	-
Interest received	26	233
Net cash used in investing activities	(933)	(422)
Cash flows from financing activities		
Repayment of hire-Purchase	-	(38)
Repayment of BA	(1,653)	(492)
Drawdown of BA	1,743	188
Drawdown/(Repayment) of other borrowing	(302)	(301)
Drawdown / (Repayment) of term loan	110	(32)
Net cash used in financing activities	(102)	(675)
Net (decrease) / increase in cash and cash equivalents	4,865	(3,995)
Exchnage rate fluctuaction reserve	446	76
Cash and cash equivalents at 1 January	17,529	21,214
Cash and cash equivalents at 31 March	22,840	17,295
@ Cash and cash equivalents comprise the following balance sheet amounts:		
Short term investments	2,890	4,097
Deposits placed with licensed banks	1,150	3,251
Cash and bank balances	21,552	12,999
Bank overdrafts	(2,752)	(3,052)
	22,840	17,295

(i) For the 3 months period ended 31 March 2015, the Group acquired property, plant and equipment amounting to RM 432,490 of which RM 351,130 was accrued for. There was payment for assets capitalised in year ended 31 December 2014 amounting to RM 803,125.

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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A Notes to Interim Financial Report on Consolidated Results for the Year Ended 31 March 2015

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 2015 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 2014.

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 2014.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2014 was not subject to any qualifications.

A4 Seasonal or cyclical factors

As reported by the Malaysian Automotive Association ("MAA"), the passenger vehicles sector recorded 148,932 new passenger vehicles registrations for the quarter ended 31 March 2015, which represents a 4.5% increase as compared to 142,528 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 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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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.

A9 Segmental reporting

Segmental analysis of the results and assets employed for the 3 months period ended 31 March 2015:

<i>Business Segments</i>	Automotive Parts RM'000	Machinery Parts RM'000	Plastic RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from external customers	35,038	2,798	2,708	-	-	40,544
Segment results	2,185	(28)	(348)	1,928	(2,000)	1,737
Interest income						26
Financing costs						(143)
Profit before taxation						1,656
Tax expense						(274)
Profit after taxation						1,346
Translation reserve						207
Total comprehensive income for the period						1,553

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<i>Business segments</i>	Automotive		Machinery		Others	Eliminations	Consolidated
	Parts	Parts	Plastic				
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
Segment assets	82,290	18,001	16,517		2,404	(230)	118,982
Total assets							<u>118,982</u>
Segment liabilities	33,210	1,275	18,508		733	(22,374)	31,352
Total liabilities							<u>31,352</u>
<i>Business segments</i>	Automotive Parts	Machinery Parts	Plastic		Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
Capital expenditure	1,092	83	141		-	-	1,316
Depreciation of investment properties	2	4	-		-	-	6
Depreciation of property, plant and equipment	1,055	74	151		-	-	1,280

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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A Notes to Interim Financial Report on Consolidated Results for the Year Ended 31 March 2015

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 2015 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 March 2015.

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 31.03.2015 RM'000	As at 31.3.2014 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>799</u>	<u>1,197</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 31.03.2015 RM'000	quarter ended 31.03.2014 RM'000	RM'000	%
Automotive parts	35,038	31,117	3,921	12.60%
Machinery parts	2,798	3,292	(494)	(15.01%)
Plastic	2,708	1,073	1,635	152.38%
	<u>40,544</u>	<u>35,482</u>	<u>5,062</u>	<u>14.27%</u>
PBT by segment				
Automotive parts	2,179	2,822	(643)	(22.78%)
Machinery parts	(27)	126	(153)	121.43%
Plastic	(386)	(557)	171	30.70%
	<u>1,766</u>	<u>2,391</u>	<u>(625)</u>	<u>(26.14%)</u>

The Group’s revenue recorded a 14.27% increase for the quarter ended 31 March 2015, in comparison to the previous corresponding period.

Automotive parts

The increase in revenue for the period under review against the corresponding quarter of the previous year is mainly attributable to the timing of the launch of few key volume models namely Honda’s City, Jazz and HR-V and Perodua’s Axia. Higher than normal rejection rates for new models ate into profits. Higher material cost caused by the weakening of the Malaysian Ringgit against the US Dollar was another contributing factor towards a reduced profit.

Machinery parts

The slow and sluggish business sentiments which surrounded 2014 meant that book orders carried forward to 2015 were very low. As such; turnover was down by MYR0.5m against Q1’ 2014. The slight loss for the period under review was due to reduction in sales.

Plastic

Revenue for the segment saw an increase over the same period last year as the company’s products gain greater acceptance with its customers. The reduced loss for the period was the direct result of better sales.

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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**

	Revenue		Profit before Tax	
	Quarter Ended 31.03.2015 RM'000	Quarter Ended 31.12.2014 RM'000	Quarter Ended 31.03.2015 RM'000	Quarter Ended 31.12.2014 RM'000
Consolidated total	40,544	35,765	1,803	519
Business Segment:				
Automotive parts	35,038	29,291	2,216	1,489
Machinery parts	2,798	5,222	(27)	(67)
Plastic Resin	2,708	1,252	(386)	(903)

The Group's revenue for the reporting period recorded a 13.36% increase in comparison to the preceding quarter.

Automotive parts

As indicated in notes B1 above the improved revenue for the quarter was mainly due to the timing of new model launches by Honda and Perodua. Stronger demand for braking products from Hyundai and brake components to Thailand also contributed towards the increased turnover.

Improved profits for Q1' 2015 against Q4' 2014 was due to increased turnover and reduction of rejects.

Machinery parts

The trend above is normal for the segment where Q1 would be the weakest and Q4 recording the highest volume.

Plastic

Efforts to diversify into non electronics markets contributed to better volumes for the segment against the preceding period. The reduced loss recorded was a direct result of the increased sales.

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 previously, based on the Malaysian Automotive Association's forecast for the year with a growth of 2% for 2015, we expect the segment to be stable with modest growth prospects.

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

B3. Prospects for 2015 (cont’d)

Machinery parts

Whilst the business environment surrounding the segment remains depressed the company continue to encounter smaller and more fragmented opportunities. Intensifying efforts with both end users and dealers, ensuring our products are specified for Palm Oil & Pulp & Paper and Sugar Projects in Indonesia and running special promotions are some of the strategies adopted to mitigate the current slowdown.

Plastic

The electronics based customers have yet to see any significant recovery with US output figures suggesting so. We expect China and Asia to follow suit.

As reported previously; as the segment continue to develop new products, some of its efforts in diversifying its customer base has yielded results. The company will continue to focus on diversifying into more stable sectors in emerging markets.

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	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	(239)	(347)	(239)	(347)
- Prior year	-	-	-	-
	(239)	(347)	(239)	(347)
Deferred tax				
- Origination and reversal of temporary differences	(35)	(421)	35	(421)
- Prior year	-	259	-	259
	(274)	(509)	(274)	(509)

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	
	31.03.2015 RM'000	31.03.2014 RM'000	31.03.2015 RM'000	31.03.2014 RM'000
Interest income	26	45	26	45
Other income including investment income	520	251	520	251
Interest expenses	(123)	(417)	(143)	(417)
Depreciation and amortization	(94)	(1,243)	(94)	(1,243)
Development cost	(334)	(326)	(334)	(326)
Net foreign exchange gain	322	118	322	146

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 March 2015.

B8. Group’s borrowings and debt securities

	31.03.2015 RM'000 Secured
Current	
Borrowings – Bankers' acceptances	1,625
Borrowings – Term loan	143
Borrowings – Bank Overdraft	2,752
	<u>4,520</u>
Non-current	
Repayable after more than 12 months	
Borrowings - Term Loan	2,196
	<u>2,196</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 March 2015.

B11. Retained Earnings

	As at 31.03.2015 RM'000	As at 31.03.2014 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit / (loss)	57,611	71,023
- Unrealised profit / (loss)	749	539
	<u>58,360</u>	<u>71,562</u>
Less : Consolidated Adjustments	<u>(28,155)</u>	<u>(42,978)</u>
Total retained earnings	<u><u>30,205</u></u>	<u><u>28,584</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 31.03.2015 RM'000	For the cumulative 3 months period ended 31.03.2015 RM'000
Profit for the period	1,005	1,005
Profit attributable to minority interest	<u>341</u>	<u>341</u>
Profit for the period attributable to Shareholders of the Company	<u><u>1,346</u></u>	<u><u>1,346</u></u>
Weighted average number of ordinary shares	<u><u>42,185</u></u>	<u><u>42,185</u></u>
Basic earnings per share (sen)	<u><u>2.38</u></u>	<u><u>2.38</u></u>

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