

SMIS Corporation Berhad

Company No. 491857 . V
(Incorporated in Malaysia)

Interim Financial Report
30 September 2015

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

Condensed Consolidated Statement of Financial Position as at 30 September 2015
(unaudited)

	Note	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		33,560	33,106
Investment properties		438	455
Intangible assets		710	710
Deferred tax assets		1,112	1,297
Total non current assets		<u>35,820</u>	<u>35,568</u>
Current assets			
Trade and other receivables		29,562	42,042
Prepayments		1,656	3,004
Inventories		18,408	16,159
Tax recoverable		1,752	807
Cash and bank balances		23,659	20,253
Total current assets		<u>75,037</u>	<u>82,265</u>
TOTAL ASSETS		<u>110,857</u>	<u>117,833</u>
Equity			
Share capital		44,800	44,800
Reserves		34,362	34,332
Less: 2,616,100 treasury shares, at cost		(1,178)	(1,177)
Total equity attributable to the shareholders of the Company		77,984	77,955
Non-controlling interests		6,515	5,881
Total equity		<u>84,499</u>	<u>83,836</u>
Non-current liabilities			
Loans and borrowings	B8	1,990	2,099
Other financial liabilities		45	45
Deferred tax liabilities		348	393
Total non current liabilities		<u>2,383</u>	<u>2,537</u>
Current liabilities			
Loans and borrowings	B8	4,055	4,691
Provision for warranties		288	288
Trade and other payables		19,365	26,195
Tax payable		267	286
Total current liabilities		<u>23,975</u>	<u>31,460</u>
TOTAL EQUITY AND LIABILITIES		<u>110,857</u>	<u>117,833</u>
Net assets per share (RM)		1.74	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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SMIS Corporation Berhad
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Condensed Consolidated Statement of Comprehensive Income for the 9 months period ended 30 September 2015
(unaudited)

Note	3 months period ended 30 September		9 months period ended 30 September	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	31,536	36,975	107,511	110,978
Cost of sales	(26,723)	(31,524)	(91,564)	(92,915)
Gross profit	4,813	5,451	15,947	18,063
Operating expenses	(5,359)	(4,747)	(14,941)	(13,423)
Other operating income	984	120	1,924	272
Operating profit	438	824	2,930	4,912
Financing costs	(128)	(115)	(428)	(366)
Interest income	51	34	102	130
Profit before taxation	361	743	2,604	4,676
Tax expense	(337)	(468)	(1,128)	(1,717)
Profit after taxation	24	275	1,476	2,959
Other comprehensive income, net of tax				
Item that will not be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	171	80	243	4
Other comprehensive income for the period, net of tax	171	80	243	4
Total comprehensive income for the period	195	355	1,719	2,963
Profit attributable to:				
Owners of the Company	(75)	238	849	2,080
Non-controlling interests	99	37	627	879
Profit for the period	24	275	1,476	2,959
Total comprehensive income attributable to :				
Owners of the Company	90	242	1,084	1,994
Non-controlling interests	105	113	635	969
Total comprehensive income for the period	195	355	1,719	2,963
Basic earnings per ordinary share (sen)	(0.18)	0.56	2.02	4.93
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 9 months period ended 30 September 2015
(unaudited)

	← Attributable to the owners of the Company →							
	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	-	-	-	236	-	236	7	243
Total other comprehensive income for the financial period	-	-	-	236	-	236	7	243
Profit net of tax for the period	-	-	-	-	849	849	627	1,476
Total comprehensive income for the period	-	-	-	236	849	1,085	634	1,719
Contributions by and distribution to owners of the Company	-	-	-	-	-	-	-	-
- Purchase of own shares	-	(1)	-	-	-	(1)	-	(1)
- Dividends to owners of the Company	-	-	-	-	(1,055)	(1,055)	-	(1,055)
Total transaction with owners of the Company	-	(1)	-	-	(1,055)	(1,056)	-	(1,056)
At 30 September 2015	44,800	(1,178)	4,891	477	28,994	77,984	6,515	84,499
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 9 months period ended 30 September 2015
(unaudited)

	For the 9 months period ended 30 September 2015 RM'000	For the 9 months period ended 30 September 2014 RM'000
Cash flows from operating activities		
Profit before taxation from operations	2,604	4,676
Adjustment for non-cash items:		
Allowance for slow moving stocks	288	-
Depreciation of investment properties	17	17
Depreciation of plant and equipment	4,074	4,106
Dilution of NCI's share capital	-	(141)
Derecognised of Cleon	-	39
Gain / Loss on disposal of property, plant and equipment	(7)	1
Amortisation of prepaid lease payments	15	-
Interest paid	355	310
Interest income	(102)	(130)
Unrealised foreign exchange (gain) / loss	874	(253)
Operating profit before changes in working capital	8,118	8,625
Changes in working capital:		
Inventories	(2,537)	1,570
Receivables	12,946	319
Payables	(7,406)	(1,504)
Cash (used in) / generated from operations	11,121	9,010
Tax paid	(2,326)	(2,776)
Tax refund	377	250
Interest paid	(355)	(310)
Net cash (used in) / generated from operating activities	8,817	6,174
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,017)	(3,865)
Proceeds from disposal of property, plant and equipment	6	-
Interest received	102	130
Net cash used in investing activities	(3,909)	(3,735)
Cash flows from financing activities		
Purchase of treasury share	(1)	(7)
Repayment of hire-purchase	-	(114)
Repayment of BA	(4,877)	(3,527)
Drawdown of BA	4,452	3,084
Drawdown/(Repayment) of other borrowing	42	(525)
Drawdown / (Repayment) of term loan	(301)	(96)
Dividend Paid	(1,055)	(1,055)
Net cash used in financing activities	(1,740)	(2,240)
Net (decrease) / increase in cash and cash equivalents	3168	199
Exchange rate fluctuation reserve	297	121
Cash and cash equivalents at 1 January	17,529	21,214
Cash and cash equivalents at 30 September	20,994	21,534
@ Cash and cash equivalents comprise the following balance sheet amounts:		
Short term investments	3,951	3,423
Deposits placed with licensed banks	1,169	3,294
Cash and bank balances	18,539	17,868
Bank overdrafts	(2,665)	(3,051)
	20,994	21,534

(i)

For the 9 months period ended 30 September 2015, the Group acquired property, plant and equipment amounting to RM 4,436,901 of which RM 572,149 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 Period Ended 30 September 2015

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 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 145,183 new passenger vehicles registrations for the quarter ended 30 September 2015, which represents a 3.80% increase as compared to 139,873 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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A Notes to Interim Financial Report on Consolidated Results for the Period Ended 30 September 2015**A7 Dividend**

The following dividend was paid during the current period.

	RM'000
In respect of financial year ended 31 December 2014	
First and final single tier dividend of 2.5 sen per ordinary share paid on 24 July 2015.	<u>1,055</u>

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 9 months period ended 30 September 2015:

<i>Business Segments</i>	Automotive Parts RM000	Machinery Parts RM000	Plastic RM000	Others RM000	Eliminations RM000	Consolidated RM000
Revenue from external customers	91,180	9,633	6,698	-	-	107,511
Segment results	4,783	(607)	(1,299)	645	(592)	2,930
Interest income						102
Financing costs						(428)
Profit before taxation						2,604
Tax expense						(1,128)
Profit after taxation						1,476
Translation reserve						243
Total comprehensive income for the period						<u>1,719</u>

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<i>Business segments</i>	Automotive		Machinery			Eliminations	Consolidated
	Parts	Parts	Plastic	Others			
	RM000	RM000	RM000	RM000	RM000	RM000	RM000
Segment assets	75,903	17,601	14,143	3,404	(194)		110,857
Total assets							<u>110,857</u>
Segment liabilities	23,758	1,864	17,335	646	(19,421)		24,182
Total liabilities							<u>24,182</u>
<i>Business segments</i>	Automotive Parts	Machinery Parts	Plastic	Others	Eliminations	Consolidated	
	RM000	RM000	RM000	RM000	RM000	RM000	RM000
Capital expenditure	4,122	265	444	-	-		4,831
Depreciation of investment properties	5	12	-	-	-		17
Depreciation of property, plant and equipment	3,357	263	454	-	-		4,074

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 Period Ended 30 September 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 30 September 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 30 September 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 30.09.2015 RM'000	As at 30.09.2014 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>5,807</u>	<u>569</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 30.09.2015 RM'000	quarter ended 30.09.2014 RM'000	RM'000	%
Automotive parts	25,891	31,327	(5,436)	(17.35%)
Machinery parts	3,106	3,765	(659)	(17.50%)
Plastic	2,539	1,882	657	34.91%
	<u>31,536</u>	<u>36,974</u>	<u>(5,438)</u>	<u>(14.71%)</u>
PBT by segment				
Automotive parts	1,092	1,603	(511)	(31.88%)
Machinery parts	(652)	92	(744)	(808.70%)
Plastic	(295)	(488)	193	39.55%
	<u>145</u>	<u>1,207</u>	<u>(1,062)</u>	<u>(87.99%)</u>

The Group's revenue recorded a 14.71% decrease for the quarter ended 30 September 2015, in comparison to the previous corresponding period.

Automotive parts

The overall decrease in turnover of RM5.4m for the automotive segment was mainly caused by a drastic decline in demand for braking products of RM6.7m. This was a result of low sales from Inokom, Mazda and Proton, as well as phasing out of the Perodua's Viva model. Sales of carpet products increased by RM1.3m benefiting from the launch of Honda's HR-V model.

Overall the automotive segment recorded a drop in PBT of RM0.5m. This is mainly due to the reduction in sales and increase in cost of imported components following the weakening of the Malaysian Ringgit against the US Dollar.

Machinery parts

The depressing trend continued in to Q3 of this year with no or little respite in Q4 and into 2016. With revenue down, the PBT also fell year-on-year. We are embarking on new initiatives such as relocating more resources to Jakarta to help intensify and focus on new efforts in the growing market while these new products have been added during the quarter.

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

B1. Review of performance (cont'd)

Plastic

The segment is steadily growing with more initiatives put into marketing and sales. Market acceptance is starting to yield some results. Since market demand is still affecting volume growth, the company has initiated higher value product drive and cost cutting measures. The bottom line improvement is more significant than revenue. The company will continue to focus and drive on improving gross profit. A significant portion of this initiative is contributed from non-electronics sector. We will continue to push in this direction.

B2. Variation of results against preceding quarter

	Revenue		Profit before Tax	
	Quarter Ended 30.09.2015 RM000	Quarter Ended 30.06.2015 RM000	Quarter Ended 30.09.2015 RM000	Quarter Ended 30.06.2015 RM000
Consolidated total	31,536	35,431	145	807
Business Segment:				
Automotive parts	25,891	30,752	1,092	1,498
Machinery parts	3,106	3,229	(652)	88
Plastic Resin	2,539	1,450	(295)	(779)

The Group's revenue for the reporting period recorded a 10.99% decrease in comparison to the preceding quarter.

Automotive parts

Sales turnover of the quarter saw a drastic deterioration from the preceding quarter, amounting to RM4.8m or almost 16% reduction. Both products saw sales reduction; RM2.8m for braking products and RM2.0m for carpet products. Sales from Inokom, Mazda, Toyota and Proton models were sluggish.

Despite the improved export sales of braking product and the commencement of the Mitsubishi ASX localization program; PBT for the quarter decreased by about RM400k from the previous quarter, owing to the much lower sales turnover, as well as the further strengthening of USD. OEM customers had not provide price increase as requested to reflect the increase in material cost arising from the weakening of the Malaysian Ringgit against the US Dollar.

Machinery parts

As mentioned above, the trend of low sales continued during the quarter representing overall somber mood in the market place. However, in order to give a fillip to the sales in near future, we are reorganizing the team as well as introducing new products that could open more business opportunities.

Plastic

Commercialization from non-electronics segment contributed towards improved revenue. Bottom-line improvement is a result of higher value of product mix.

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B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements**B3. Prospects for 2015****Automotive parts**

MAA industry forecast for 2015 is as follows:

Market segment	2015	2014	Variance	
	Forecast	Actual	Units	%
Passenger vehicles	591,800	588,341	3,459	0.6%
Commercial vehicles	78,200	78,124	76	0.1%
Total vehicles	670,000	666,465	3,535	0.5%

As previously reported, MAA has revised the forecast for 2015 with a 0.5% increase in total volume against 2014 (previous forecast for 2015 was 680,000 units). In view of the above, the Group expects its Automotive Parts segment performance to be relatively stable. As previously reported, we do not expect a sustained recovery of the market at this moment due to the continued slide of the Malaysian Ringgit and coupled with weak economic sentiments. However, year-end promotions from almost all manufacturers may help recover some loss ground.

Machinery parts

As the business environment surrounding the segment remains depressed, the company will continue to seek smaller and more fragmented opportunities. The company will continue with its strategy in intensifying efforts with both end users and dealers, ensuring products are specified for Palm Oil & Pulp & Paper and Sugar Projects in Indonesia and running special promotion to counter the effects of the current slowdown. The company is also strengthening its operations in Indonesia by relocating resources to Jakarta so as to tap the future opportunities in the growing economy.

Plastic

The company is working on initiatives to improve manufacturing cost especially for its electronic sector based products ahead of expected slight recovery in the market. Efforts in penetrating emerging markets and business sector declassification will continue to be the main focus.

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 ended 30 September 2015.

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	3 months period ended		Financial period ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	(229)	(537)	(963)	(1,512)
- Prior year	-	-	-	-
	(229)	(537)	(963)	(1,512)
Deferred tax				
- Origination and reversal of temporary differences	(82)	261	(139)	304
- Prior year	(26)	(192)	(26)	(509)
	(337)	(468)	(1,128)	(1,717)

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 and losses incurred in the Plastic segment.

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 period ended	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RM'000	RM'000	RM'000	RM'000
Interest income	51	34	102	130
Other income including investment income	984	119	1,924	272
Interest expenses	(117)	(97)	(355)	(310)
Depreciation and amortization	(1,468)	(1,598)	(4,091)	(4,123)
Development cost	(262)	238	(852)	(455)
Net foreign exchange gain	758	42	1,360	20

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 30 September 2015.

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	30.09.2015
	RMφ00
	Secured
Current	
Borrowings . Bankers' acceptances	1,110
Borrowings . Term loan	141
Borrowings . Bank Overdraft	2,804
	<u>4,055</u>
Non-current	
Repayable after more than 12 months	
Borrowings - Term Loan	1,990
	<u>1,990</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.

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 period ended 30 September 2015.

B11. Retained Earnings

	As at 30.09.2015 RM'000	As at 30.09.2014 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit	53,621	71,285
- Unrealised profit	1,407	666
	<u>55,028</u>	<u>71,951</u>
Less : Consolidated Adjustments	<u>(26,034)</u>	<u>(43,317)</u>
Total retained earnings	<u>28,994</u>	<u>28,634</u>

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Main Market Listing Requirements**

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 30.09.2015 RM'000	For the cumulative 9 months period ended 30.09.2015 RM'000
Profit for the period	(75)	849
Profit attributable to minority interest	99	627
Profit for the period attributable to Shareholders of the Company	<u>24</u>	<u>1,476</u>
Weighted average number of ordinary shares	<u>42,184</u>	<u>42,030</u>
Basic earnings per share (sen)	<u>(0.18)</u>	<u>2.02</u>