

SMIS Corporation Berhad

Company No. 491857 – V
(Incorporated in Malaysia)

Interim Financial Report
31 December 2015

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

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

	Note	As at 31 December 2015 RM'000	As at 31 December 2014 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		34,578	33,106
Investment properties		433	455
Intangible assets		-	710
Deferred Assets		106	-
Deferred tax assets		1,236	1,297
Total non current assets		<u>36,353</u>	<u>35,568</u>
Current assets			
Trade and other receivables		29,156	42,042
Prepayments		4,217	3,004
Inventories		18,055	16,159
Tax recoverable		2,705	807
Cash and bank balances		26,388	20,253
Total current assets		<u>80,521</u>	<u>82,265</u>
TOTAL ASSETS		<u>116,874</u>	<u>117,833</u>
Equity			
Share capital		44,800	44,800
Reserves		33,790	34,332
Less: 2,621,100 treasury shares, at cost		(1,182)	(1,177)
Total equity attributable to the shareholders of the Company		<u>77,408</u>	<u>77,955</u>
Non-controlling interests		7,964	5,881
Total equity		<u>85,372</u>	<u>83,836</u>
Non-current liabilities			
Loans and borrowings	B8	1,960	2,099
Other financial liabilities		23	45
Estimated liabilities for assets retirement		186	-
Deferred tax liabilities		924	393
Total non current liabilities		<u>3,093</u>	<u>2,537</u>
Current liabilities			
Loans and borrowings	B8	4,089	4,691
Provision for warranties		-	288
Trade and other payables		24,271	26,195
Tax payable		49	286
Total current liabilities		<u>28,409</u>	<u>31,460</u>
TOTAL EQUITY AND LIABILITIES		<u>116,874</u>	<u>117,833</u>
Net assets per share (RM)		1.73	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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(Company No. 491857-V)
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Condensed Consolidated Statement of Comprehensive Income for the 12 months period ended 31 December 2015
(unaudited)

	3 months period ended 31 December		12 months period ended 31 December	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	35,756	35,765	143,267	146,743
Cost of sales	(29,850)	(29,749)	(121,414)	(122,664)
Gross profit	5,906	6,016	21,853	24,079
Operating expenses	(5,932)	(6,263)	(20,873)	(19,686)
Other operating income	169	1,418	2,093	1,690
Operating profit	143	1,171	3,073	6,083
Financing costs	(204)	(138)	(632)	(504)
Interest income	54	56	156	186
Profit before taxation	(7)	1,089	2,597	5,765
Tax expense	(191)	(985)	(1,319)	(2,702)
Profit after taxation	(198)	104	1,278	3,063
Other comprehensive income, net of tax				
Item that will not be reclassified				
subsequently to profit or loss				
Remeasurement of financial liabilities	22	-	22	-
Foreign currency translation differences for foreign operations	(170)	573	73	577
Other comprehensive income for the period, net of tax	(148)	573	95	577
Total comprehensive income for the period	(346)	677	1,373	3,640
Profit attributable to:				
Owners of the Company	(469)	446	380	2,526
Non-controlling interests	271	(342)	898	537
Profit for the period	(198)	104	1,278	3,063
Total comprehensive income attributable to :				
Owners of the Company	(571)	1,101	513	3,095
Non-controlling interests	225	(424)	860	545
Total comprehensive income for the period	(346)	677	1,373	3,640
Basic earnings per ordinary share (sen)	(1.11)	1.06	0.90	5.99
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 12 months period ended 31 December 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
NCI arising from acquisition of a new subsidiary	-	-	-	-	-	-	1,223	1,223
Foreign exchange translation reserve	-	-	-	67	44	111	(38)	73
Remeasurement of financial liability	-	-	-	-	22	22	-	22
Total other comprehensive income for the financial period	-	-	-	67	66	133	(38)	95
Profit net of tax for the period	-	-	-	-	380	380	898	1,278
Total comprehensive income for the period	-	-	-	67	446	513	860	1,373
Contributions by and distribution to owners of the Company	-	-	-	-	-	-	-	-
- Purchase of own shares	-	(5)	-	-	-	(5)	-	(5)
- Dividends to owners of the Company	-	-	-	-	(1,055)	(1,055)	-	(1,055)
Total transaction with owners of the Company	-	(5)	-	-	(1,055)	(1,060)	-	(1,060)
At 31 December 2015	44,800	(1,182)	4,891	308	28,591	77,408	7,964	85,372
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 12 months period ended 31 December 2015
(unaudited)

	For the 12 months period ended 31 December 2015 RM'000	For the 12 months period ended 31 December 2014 RM'000
Cash flows from operating activities		
Profit before taxation from operations	2,597	5,765
Adjustment for non-cash items:		
Impairment loss on trade receivable	-	130
Impairment loss on intangible assets	710	-
Inventories written down	-	200
Reversal of inventories written down	-	(283)
Reversal of impairment loss of trade receivable	-	(138)
Reversal of provision of warranty	(288)	(201)
Allowance for slow moving stocks	368	-
Accretion of NCI	1,223	-
Amortization of deferred assets	1	-
Depreciation of investment properties	22	22
Depreciation of plant and equipment	5,838	5,793
Reversal of depreciation	(428)	-
Gain / Loss on disposal of property, plant and equipment	(8)	(233)
Amortisation of prepaid lease payments	20	-
Interest paid	428	461
Interest income	(156)	(159)
Unrealised foreign exchange (gain) / loss	1,060	(266)
Operating profit before changes in working capital	11,387	11,091
Changes in working capital:		
Inventories	(2,266)	677
Receivables	10,612	(4,937)
Payables	(2,287)	591
Cash (used in) / generated from operations	17,446	7,422
Tax paid	(3,281)	(3,286)
Tax refund	425	275
Interest paid	(428)	(461)
Net cash (used in) / generated from operating activities	14,162	3,950
Cash flows from investing activities		
Acquisition of property, plant and equipment	(6,488)	(6,541)
Proceeds from disposal of property, plant and equipment	8	481
Interest received	156	159
Net cash used in investing activities	(6,324)	(5,901)
Cash flows from financing activities		
Purchase of treasury share	(5)	(11)
Repayment of hire-purchase liability	-	(153)
Drawdown/(Repayment) of other borrowing	(463)	(513)
Repayment of term loan	(132)	(128)
Dividend Paid	(1,055)	(1,055)
Net cash used in financing activities	(1,655)	(1,860)
Net (decrease) / increase in cash and cash equivalents	6,183	(3,811)
Exchange rate fluctuation reserve	97	126
Cash and cash equivalents at 1 January	17,529	21,214
Cash and cash equivalents at 31 December	23,809	17,529
@		
@ Cash and cash equivalents comprise the following balance sheet amounts:		
Short term investments	7,991	2,865
Deposits placed with licensed banks	1,186	3,325
Cash and bank balances	17,211	14,063
Bank overdrafts	(2,579)	(2,724)
	23,809	17,529

(i) For the 12 months period ended 31 December 2015, the Group acquired property, plant and equipment amounting to RM 7,008,532 of which RM 520,871 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 31 December 2015

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 December 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 159,582 new passenger vehicles registrations for the quarter ended 31 December 2015, which represents a 5.20% increase as compared to 151,689 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 31 December 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 16 July 2015.	<u>1,055</u>

A8 Debts and equity securities

During the quarter under review, the Company purchased a total of 5,000 Ordinary Shares of RM1.00 each from the open market for a total consideration of RM3,697.57. The buy-back transaction was financed by internally generated funds. The shares purchased are held as treasury shares.

Month	No. of shares purchased and retained as treasury shares	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration paid (RM)
October to December 2015	5,000	0.73	0.73	0.73	3,697.57

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 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	122,819	11,545	8,903	-	-	143,267
Segment results	6,040	(1,160)	(952)	4,231	(5,086)	3,073
Interest income						156
Financing costs						(632)
Profit before taxation						2,597
Tax expense						(1,319)
Profit after taxation						1,278
Re-measurement of financial liability						22
Translation reserve						73
Total comprehensive income for the period						<u>1,373</u>

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A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 December 2015**A9 Segmental reporting (cont'd)**

<i>Business</i>	Automotive	Machinery				
<i>Segments</i>	Parts	Parts	Plastic	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	80,783	15,741	13,721	6,970	(341)	116,874
Total assets						<u>116,874</u>
Segment liabilities	25,858	1,298	19,382	1,465	(16,501)	31,502
Total liabilities						<u>31,502</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	6,499	128	381	-	-	7,008
Depreciation of investment properties	6	16	-	-	-	22
Depreciation of property, plant and equipment	4,820	342	676	-	-	5,838

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 31 December 2015

A11 Material events

There was no material events not reflected in the interim financial statements subsequent to the balance sheet date.

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 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 31.12.2015 RM'000	As at 31.12.2014 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>6,236</u>	<u>2,310</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 31.12.2015 RM'000	quarter ended 31.12.2014 RM'000	RM'000	%
Automotive parts	31,139	29,291	1,848	6.31%
Machinery parts	2,412	5,222	(2,810)	(53.81%)
Plastic	2,205	1,252	953	76.12%
	<u>35,756</u>	<u>35,765</u>	<u>(9)</u>	<u>(0.02%)</u>
PBT by segment				
Automotive parts	1,257	1,489	(232)	(15.58%)
Machinery parts	(553)	(67)	(486)	(725.37%)
Plastic	251	(903)	1,154	127.79%
	<u>955</u>	<u>519</u>	<u>436</u>	<u>84.00%</u>

The Group's revenue for the quarter ended 31 December 2015 was similar to the previous corresponding period of the previous year.

Better PBT was achieved mainly contributed by the plastic segment as it turned a profit for the quarter against a loss in the previous year.

Automotive parts

There was an increase of RM3.4m in sales of automotive carpets; mainly contributed by:

- Launch of Honda's HRV; and
- Localization of Mitsubishi's ASX.

Braking products on the other hand did not perform as well registering a reduction in sales of RM1.6m mainly due to reduce sales to Inokom, Proton and Perodua.

Whilst revenue for the automotive improved by 6.3%, profits contracted 14.0%. The continued weakness of the Malaysian Ringgit against the US Dollar meant raw materials cost more (Dec 2014 USD1:MYR3.5; Dec 2015 USD1:MYR4.3).

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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)****Machinery parts**

The fall in revenue was due to poor market conditions that prevailed throughout 2015. Q4 2015 unlike previous years continued to remain depressed. Loss for the reporting period was mainly due to provision for slow moving stocks of RM0.37m and reduce sales.

Plastic

Business continues to grow with better market acceptance. Improved margins were also realized with better purchasing strategies and lower finance cost achieved through more stringent inventory controls.

B2. Variation of results against preceding quarter

	Revenue		Profit before Tax	
	Quarter Ended 31.12.2015 RM'000	Quarter Ended 30.09.2015 RM'000	Quarter Ended 31.12.2015 RM'000	Quarter Ended 30.09.2015 RM'000
Consolidated total	35,756	31,536	979	145
Business Segment:				
Automotive parts	31,139	25,891	1,257	1,092
Machinery parts	2,412	3,106	(553)	(652)
Plastic Resin	2,205	2,539	251	(295)

The Group's revenue for the reporting period recorded a 13.38% increase in comparison to the preceding quarter.

Automotive parts

Revenue for automotive carpets increased by RM3.6m fueled by increased demand from all assemblers except Proton.

Sales for braking products improved by RM1.6m benefiting from the localization of Mazda's CX5.

Improved profits is in-line with the increased revenue.

Machinery parts

Q4 2015 continued to remain affected due to poor order trends throughout the year. Q4 2015 was also affected by delays in the execution of some of the pending orders that were expected to be dispatched but was carried forward to Q1 2016.

Plastic

Whilst sales for the reporting fell by 13.15% against the preceding quarter, bottom line margins improved significantly due to product sales mix with better margins, lower material cost and reduction in administrative cost.

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B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements**B3. Prospects for 2016****Automotive parts**

MAA industry forecast for 2016 is as follows:

Market segment	2016	2015	Variance	
	Forecast	Actual	Units	%
Passenger vehicles	575,250	591,298	(16,048)	(2.7)
Commercial vehicles	74,750	75,376	(626)	(0.8)
Total vehicles	650,000	666,674	(16,674)	(2.5)

MAA has forecast a reduction of 2.5% in TIV for 2016 against 2015. In view of the above, the Group expects 2016 to be challenging. The continued uncertainty of the Malaysian Ringgit against the US Dollar coupled with weak economic sentiments further cast doubts as to the expected performance for the segment.

Machinery parts

The prospects for Q1 2016 appears to be challenging in spite of orders carryover of RM1.5m. The economy would continue to be under pressure throughout 2016 owing to both poor crude oil prices as well as weak exchange rates. Indonesia, with more intense focus, is expected yield better results. Malaysian market is also likely to perform better due to conclusion of some of the projects where our products have been specified.

Plastic

Market conditions continue to remain unpredictable despite the US market showing signs of stabilization. Major manufacturers are unable to provide forecast and production plans resulting from lack of market confidence and visibility.

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 31 December 2015.

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**B Additional Information Required by Bursa Malaysia Securities Berhad ("Bursa Malaysia")
Main Market Listing Requirements****B5. Taxation**

	3 months period ended		Financial period ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	(295)	(1,163)	(1,258)	(2,675)
- Prior year	557	173	531	173
	262	(990)	(727)	(2,502)
Deferred tax				
- Origination and reversal of temporary differences	(90)	(479)	(592)	(175)
- Prior year	(363)	484	-	(25)
	(191)	(985)	(1,319)	(2,702)

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	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Interest income	54	56	156	186
Other income including investment income	357	739	2,093	1,011
Interest expenses	(73)	(151)	(428)	(461)
Depreciation and amortization	(1,769)	(1,672)	(5,860)	(5,795)
Development cost	(219)	(467)	(1,071)	(922)
Net foreign exchange gain	(105)	402	1,255	422

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 2015.

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B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements**B8. Group’s borrowings and debt securities**

	31.12.2015
	RM'000
	Secured
Current	
Borrowings – Bankers' acceptances	1,373
Borrowings – Term loan	137
Borrowings – Bank Overdraft	2,579
	<u>4,089</u>
Non-current	
Repayable after more than 12 months	
Borrowings - Term Loan	1,960
	<u>1,960</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 31 December 2015.

B11. Retained Earnings

	As at 31.12.2015	As at 31.12.2014
	RM'000	RM'000
Total retained earnings of the Company and subsidiaries :-		
- Realised profit	53,978	56,799
- Unrealised profit	1,363	215
	<u>55,341</u>	<u>57,014</u>
Less : Consolidated Adjustments	<u>(26,750)</u>	<u>(27,814)</u>
Total retained earnings	<u>28,591</u>	<u>29,200</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 31.12.2015 RM'000	For the cumulative 12 months period ended 31.12.2015 RM'000
Profit for the period	(198)	1,278
Profit attributable to minority interest	271	898
Profit for the period attributable to Shareholders of the Company	<u>(469)</u>	<u>380</u>
Weighted average number of ordinary shares	<u>42,182</u>	<u>42,069</u>
Basic earnings per share (sen)	<u>(1.11)</u>	<u>0.90</u>