

SMIS Corporation Berhad

Company No. 491857 – V
(Incorporated in Malaysia)

Interim Financial Report
31 March 2016

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 2016
(unaudited)

	Note	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		35,135	34,684
Investment properties		427	433
Deferred tax assets		1,421	1,235
Total non current assets		<u>36,983</u>	<u>36,352</u>
Current assets			
Trade and other receivables		28,446	31,113
Prepayments		1,903	2,545
Inventories		18,094	18,055
Tax recoverable		2,938	2,705
Cash and bank balances		25,561	26,388
Total current assets		<u>76,942</u>	<u>80,806</u>
TOTAL ASSETS		<u>113,925</u>	<u>117,158</u>
Equity			
Share capital		44,800	44,800
Reserves		32,367	33,902
Less: 2,621,100 treasury shares, at cost		(1,182)	(1,182)
Total equity attributable to the shareholders of the Company		75,985	77,520
Non-controlling interests		10,585	7,962
Total equity		<u>86,570</u>	<u>85,482</u>
Non-current liabilities			
Loans and borrowings	B8	2,062	1,960
Other financial liabilities		23	23
Deferred tax liabilities		323	814
Total non current liabilities		<u>2,408</u>	<u>2,797</u>
Current liabilities			
Loans and borrowings	B8	3,730	4,089
Trade and other payables		21,182	24,741
Tax payable		35	49
Total current liabilities		<u>24,947</u>	<u>28,879</u>
TOTAL EQUITY AND LIABILITIES		<u>113,925</u>	<u>117,158</u>
Net assets per share (RM)		1.70	1.73

Note:-

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016

(unaudited)

	Note	3 months period ended 31 March		3 months period ended 31 March	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue		31,347	40,544	31,347	40,544
Cost of sales		(26,607)	(34,553)	(26,607)	(34,553)
Gross profit		4,740	5,991	4,740	5,991
Operating expenses		(5,997)	(4,774)	(5,997)	(4,774)
Other operating income		52	520	52	520
Operating profit		(1,205)	1,737	(1,205)	1,737
Financing costs		(146)	(143)	(146)	(143)
Interest income		38	26	38	26
(Loss) / Profit before taxation		(1,313)	1,620	(1,313)	1,620
Tax expense	B5	106	(274)	106	(274)
(Loss) / Profit after taxation		(1,207)	1,346	(1,207)	1,346
Other comprehensive income, net of tax					
Item that will not be reclassified					
subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(180)	207	(180)	207
Other comprehensive income for the period, net of tax		(180)	207	(180)	207
Total comprehensive income for the period		(1,387)	1,553	(1,387)	1,553
(Loss) / Profit attributable to:					
Owners of the Company		(1,288)	1,005	(1,288)	1,005
Non-controlling interests		81	341	81	341
(Loss) / Profit for the period		(1,207)	1,346	(1,207)	1,346
Total comprehensive income attributable to :					
Owners of the Company		(1,434)	1,205	(1,434)	1,205
Non-controlling interests		47	348	47	348
Total comprehensive income for the period		(1,387)	1,553	(1,387)	1,553
Basic earnings per ordinary share (sen)	B12	(3.05)	2.38	(3.05)	2.38
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 2015 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 2016
(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 2016	44,800	(1,182)	4,891	352	28,659	77,520	7,962	85,482
Increase in share capital in subsidiary	-	-	-	-	-	-	2,475	2,475
Foreign exchange translation reserve	-	-	-	(180)	-	(180)	-	(180)
Total other comprehensive income for the financial period	-	-	-	(180)	-	(180)	-	(180)
(Loss) / Profit net of tax for the period	-	-	-	-	(1,288)	(1,288)	81	(1,207)
Total comprehensive income for the period	-	-	-	(180)	(1,288)	(1,468)	81	(1,387)
Contributions by and distribution to owners of the Company	-	-	-	-	-	-	-	-
- Purchase of own shares	-	-	-	-	-	-	-	-
- Dividends to owners of the Company	-	-	-	-	-	-	-	-
Total transaction with owners of the Company	-	-	-	-	-	-	-	-
At 31 March 2016	44,800	(1,182)	4,891	172	27,371	76,052	10,518	86,570
At 1 January 2015	44,800	(1,177)	4,891	241	29,200	77,955	5,881	83,836
Remeasurement of financial liability	-	-	-	-	22	22	-	22
Foreign exchange translation reserve	-	-	-	111	-	111	(38)	73
Total other comprehensive income for the financial year	-	-	-	111	22	133	(38)	95
Profit net of tax for the year	-	-	-	-	492	492	896	1,388
Total comprehensive income for the financial year	-	-	-	111	514	625	858	1,483
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)
- Remeasurement of non-controlling interests	-	-	-	-	-	-	1,223	1,223
Total transaction with owners of the Company	-	(5)	-	-	(1,055)	(1,060)	1,223	163
At 31 December 2015	44,800	(1,182)	4,891	352	28,659	77,520	7,962	85,482

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Cash Flow Statement for the 3 months period ended 31 March 2016
(unaudited)

	For the 3 months period ended 31 March 2016 RM'000	For the 3 months period ended 31 March 2015 RM'000
Cash flows from operating activities		
Profit before taxation from operations	(1,313)	1,620
Adjustment for non-cash items:		
Depreciation of investment properties	6	6
Depreciation of plant and equipment	1,243	1,280
(Gain) / Loss on disposal of property, plant and equipment	(28)	(6)
Amortisation of prepaid lease payments	5	5
Interest paid	100	123
Interest income	(38)	(26)
Unrealised foreign exchange (gain) / loss	(466)	169
Operating profit before changes in working capital	(491)	3,171
Changes in working capital:		
Inventories	(39)	(326)
Receivables	3,774	4,291
Payables	(4,979)	(491)
Cash (used in) / generated from operations	(1,735)	6,645
Tax paid	(818)	(796)
Tax refund	-	174
Interest paid	(100)	(123)
Net cash (used in) / generated from operating activities	(2,653)	5,900
Cash flows from investing activities		
Acquisition of property, plant and equipment	(503)	(965)
Proceeds from disposal of property, plant and equipment	28	6
Interest received	38	26
Net cash used in investing activities	(437)	(933)
Cash flows from financing activities		
Proceed from issuance of shares to MI	2,475	-
Drawdown/(Repayment) of other borrowing	(606)	(212)
Repayment of term loan	102	110
Net cash used in financing activities	1,971	(102)
Net (decrease) / increase in cash and cash equivalents	(1,119)	4,865
Exchange rate fluctuaction reserve	45	446
Cash and cash equivalents at 1 January	23,809	17,529
Cash and cash equivalents at 31 March	@ 22,735	22,840
@ Cash and cash equivalents comprise the following balance sheet amounts:		
Short term investments	5,544	2,890
Deposits placed with licensed banks	1,186	1,150
Cash and bank balances	18,831	21,552
Bank overdrafts	(2,826)	(2,752)
	22,735	22,840

(i) For the 3 months period ended 31 March 2016, the Group acquired property, plant and equipment amounting to RM 1,922,783 of which RM 1,534,554 was accrued for. There was payment for assets capitalised in year ended 31 December 2015 amounting to RM 114,746.

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 March 2016

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 2016 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 2015.

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 2015.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2015 was not subject to any qualifications.

A4 Seasonal or cyclical factors

As reported by the Malaysian Automotive Association ("MAA"), the passenger vehicles sector recorded 117,373 new passenger vehicles registrations for the quarter ended 31 March 2016, which represents a 21.19% decrease as compared to 148,932 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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A7 Dividend

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 2016:

<i>Business Segments</i>	Automotive Parts RM'000	Machinery Parts RM'000	Plastic RM'000	Others RM'000	Consolidated RM'000
Revenue from external customers	26,959	3,315	1,073	-	31,347
Segment results	(73)	(135)	(915)	(82)	(1,205)
Interest income					38
Financing costs					(146)
Profit before taxation					(1,313)
Tax expense					106
Profit after taxation					(1,207)
Translation reserve					(180)
Total comprehensive income for the period					(1,387)

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<i>Business</i>	Automotive	Machinery			
<i>Segments</i>	Parts	Parts	Plastic	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	82,103	17,841	12,593	1,388	113,925
Total assets					<u>113,925</u>
Segment liabilities	18,243	1,744	7,101	267	27,355
Total liabilities					<u>27,355</u>
<i>Business segments</i>	Automotive Parts	Machinery Parts	Plastic	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Capital expenditure	1,923	-	-	-	1,923
Depreciation of investment properties	2	4	-	-	6
Depreciation of property, plant and equipment	1,035	81	127	-	1,243

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 March 2016

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 March 2016.

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 31.03.2016 RM'000	As at 31.03.2015 RM'000
Plant and equipment Contracted but not provided in the financial statements	5,917	799

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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 31.03.2016 RM'000	quarter ended 31.03.2015 RM'000	RM'000	%
Automotive parts	26,959	35,038	(8,079)	(23.05%)
Machinery parts	3,315	2,798	517	18.48%
Plastic	1,073	2,708	(1,635)	(60.38%)
	<u>31,347</u>	<u>40,544</u>	<u>(9,197)</u>	<u>(22.68%)</u>
PBT by segment				
Automotive parts	(93)	2,179	(2,272)	(104.27%)
Machinery parts	(120)	(27)	(93)	(344.44%)
Plastic	(536)	(161)	(375)	(69.96%)
	<u>(749)</u>	<u>1,991</u>	<u>(2,740)</u>	<u>(137.62%)</u>

The Group’s revenue for the quarter ended 31 March 2016 reduced by 23% and a loss of RM0.7m was recorded against RM2.0m profit in comparison to the corresponding period of the previous year.

Automotive parts

A drastic 23% drop in revenue for the segment is in line with note A4 above. Due to low new car sales and delays in launching of new models, a loss of RM0.1m was recorded for the period.

Machinery parts

Orders carried forward in Q4 of 2015 helped in the increased sales in Q1 2016 as against Q1 2015. The loss for the period was due to unrealized FOREX losses of RM93k for the reporting period against unrealized FOREX gains of RM73k in Q1 of 2015.

Plastic

Sales for the period slowed tremendously as the Chinese market plunged hurting most Asian manufacturers. The widened loss was a direct result of decreased volume.

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	Revenue		Profit before Tax	
	Quarter Ended 31.03.2016 RM'000	Quarter Ended 31.12.2015 RM'000	Quarter Ended 31.03.2016 RM'000	Quarter Ended 31.12.2015 RM'000
Consolidated total	31,347	35,757	(749)	955
Business Segment:				
Automotive parts	26,959	31,140	(93)	1,257
Machinery parts	3,315	2,412	(120)	(553)
Plastic Resin	1,073	2,205	(536)	251

The Group's revenue for the reporting period dropped by 12.33% in comparison to the preceding quarter.

Automotive parts

The reduced revenue for the segment was due to low car sales for all marques except Mitsubishi and Subaru. Slight volume increase in Mitsubishi's ASX and Subaru's newly launched Forrester models were unable to off-set the drastic general decrease in the market volume.

Machinery parts

Q1 2016 recorded better sales than Q4 2015 owing to an unprecedented slow sales in the last quarter of 2015 which as a quarter usually remains the highest in terms of sales. Further execution of carried forward orders from Q4 2015 helped in improving the sales in Q1 2016.

Plastic

The market slowed tremendously in Q1 2016 as per note B1 above resulting in decreased volumes from most of customers.

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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. However; the accelerated drop in volume as seen in the reporting period is a reason for concern should the market continue along the current trend. Tightening of motor vehicle financing and lack of strong positive economic sentiments further cast doubts as to the expected performance for the segment.

Machinery parts

The segment commenced 2016 with increased orders flow as well as enquiries. There seems to be an acceptance in the market that the currency depreciation has somewhat stabilised thus leading to projects getting off the ground. Evidenced from an improved reporting period; 2016 is expected to yield better results.

Plastic

With the slight improvement towards end of Q1 2016, the outlook seems better. In the current situation, several cost cutting measures have been initiated to mitigate the loss position. Diversification of product line and customer base continue to be the key strategy. With multi-pronged approach, continuous monitoring and quick respond is critical to improving results.

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 March 2016.

B5. Taxation

	3 months period ended		Financial period ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	(571)	(239)	(571)	(239)
- Prior year	-	-	-	-
	(571)	(239)	(571)	(239)
Deferred tax				
- Origination and reversal of temporary differences	677	(35)	677	(35)
- Prior year	-	-	-	-
	106	(274)	106	(274)

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

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

	3 months period ended		Financial period ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Interest income	38	26	38	26
Other income including investment income	52	520	52	520
Interest expenses	(146)	(143)	(146)	(143)
Depreciation and amortization	(1,249)	(1,286)	(1,249)	(1,286)
Development cost	(183)	(334)	(183)	(334)
Net foreign exchange (loss) / gain	(592)	322	(592)	322

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 2016.

B8. Group's borrowings and debt securities

	31.03.2016
	RM'000
	Secured
Current	
Borrowings – Bankers' acceptances	767
Borrowings – Term loan	137
Borrowings – Bank Overdraft	2,826
	<u>3,730</u>
Non-current	
Repayable after more than 12 months	
Borrowings - Term Loan	2,062
	<u>2,062</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.

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The Board of Directors has recommended a first and final single tier dividend of 2.5 sen per Ordinary Share of RM1.00 each in respect of the financial year ended 31 December 2015. The dividend has been approved by the shareholders of the Company at the Seventeenth Annual General Meeting held on 27 May 2016. The dividend is payable on 24 June 2016 to shareholders whose names appear in the Record of Depositors on 17 June 2016.

The Board of Directors does not recommend any dividend for the current period ended 31 March 2016.

B11. Retained Earnings

	As at 31.03.2016 RM'000	As at 31.03.2015 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit	53,613	57,611
- Unrealised profit	633	749
	<u>54,246</u>	<u>58,360</u>
Less : Consolidated Adjustments	<u>(26,875)</u>	<u>(28,155)</u>
Total retained earnings	<u>27,371</u>	<u>30,205</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 31.03.2016 RM'000	For the cumulative 3 months period ended 31.03.2016 RM'000
Loss for the period	(1,207)	(1,207)
Profit attributable to minority interest	81	81
Loss for the period attributable to Shareholders of the Company	<u>(1,288)</u>	<u>(1,288)</u>
Weighted average number of ordinary shares	<u>42,178</u>	<u>42,178</u>
Basic earnings per share (sen)	<u>(3.05)</u>	<u>(3.05)</u>