

**SMIS Corporation Berhad**  
Company No. 491857 . V  
(Incorporated in Malaysia)

Interim Financial Report  
31 March 2017

**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 2017**  
(unaudited)

	Note	As at 31 March 2017 RM'000	As at 31 December 2016 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		50,275	50,954
Investment properties		405	411
Deferred tax assets		697	680
<b>Total non current assets</b>		<u>51,377</u>	<u>52,045</u>
<b>Current assets</b>			
Trade and other receivables		33,724	32,620
Prepayments		995	1,136
Inventories		19,390	19,133
Tax recoverable		5,139	4,962
Shortterm investment		3,152	4,344
Cash and bank balances		11,169	14,540
<b>Total current assets</b>		<u>73,569</u>	<u>76,735</u>
<b>TOTAL ASSETS</b>		<u>124,946</u>	<u>128,780</u>
<b>Equity</b>			
*Share capital		49,691	44,800
Reserves		23,950	29,683
Less: 2,631,100 treasury shares, at cost		(1,188)	(1,188)
Total equity attributable to the shareholders of the Company		72,453	73,295
Non-controlling interests		10,483	10,608
<b>Total equity</b>		<u>82,936</u>	<u>83,903</u>
<b>Non-current liabilities</b>			
Loans and borrowings	B8	11,647	12,123
Deferred tax liabilities		167	198
<b>Total non current liabilities</b>		<u>11,814</u>	<u>12,321</u>
<b>Current liabilities</b>			
Loans and borrowings	B8	5,736	5,589
Amount owing to a related company	B9	618	614
Trade and other payables		23,809	26,333
Tax payable		33	20
<b>Total current liabilities</b>		<u>30,196</u>	<u>32,556</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>124,946</u>	<u>128,780</u>
Net assets per share (RM)		1.46	1.64

\*Pursuant to Section 618(2) of the Companies Act 2016 (CA 2016), any amount standing to the credit of the share premium account shall become part of the share capital. Notwithstanding this, the Group may within 24 months upon commencement of the CA 2016 use the amount standing to the credit of the share premium account of RM 4,819,000 for the purposes set out in Section 618(3) of the CA 2016.

**Note:-**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**Interim Report**  
**SMIS Corporation Berhad**  
(Company No. 491857-V)  
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**Condensed Consolidated Statement of Comprehensive Income for the 3 months period ended 31 March 2017**  
(unaudited)

	Note	3 months period ended 31 March		3 months period ended 31 March	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Revenue</b>		36,410	31,347	36,410	31,347
Cost of sales		(32,136)	(26,607)	(32,136)	(26,607)
<b>Gross profit</b>		4,274	4,740	4,274	4,740
Operating expenses		(5,212)	(5,997)	(5,212)	(5,997)
Other operating income		206	52	206	52
<b>Operating profit / ( loss )</b>		(732)	(1,205)	(732)	(1,205)
Financing costs		(215)	(146)	(215)	(146)
Interest income		29	38	29	38
<b>Profit / ( Loss ) before taxation</b>		(918)	(1,313)	(918)	(1,313)
Tax expense	<b>B5</b>	25	106	25	106
<b>Profit / ( Loss ) after taxation</b>		(893)	(1,207)	(893)	(1,207)
<b>Other comprehensive income, net of tax</b>					
<b>Item that will not be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		(88)	(180)	(88)	(180)
<b>Other comprehensive income for the period, net of tax</b>		(88)	(180)	(88)	(180)
<b>Total comprehensive income for the period</b>		(981)	(1,387)	(981)	(1,387)
<b>Profit / ( Loss ) attributable to:</b>					
Owners of the Company		(762)	(1,288)	(762)	(1,288)
Non-controlling interests		(131)	81	(131)	81
<b>Profit / ( Loss ) for the period</b>		(893)	(1,207)	(893)	(1,207)
<b>Total comprehensive income attributable to :</b>					
Owners of the Company		(855)	(1,434)	(855)	(1,434)
Non-controlling interests		(126)	47	(126)	47
<b>Total comprehensive income for the period</b>		(981)	(1,387)	(981)	(1,387)
Basic earnings per ordinary share (sen)	<b>B12</b>	(1.81)	(3.05)	(1.81)	(3.05)
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 2016 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 2017**  
(unaudited)

	Attributable to the owners of the Company				Distributable			Non-controlling interests RM'000	Total Equity RM'000
	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-distributable		
<b>At 1 January 2017</b>	44,800	(1,188)	4,891	325	24,467	73,295	10,608	83,903	
<b>Adjustment for effects of Companies Act 2016 (Note a)</b>	4,891	-	(4,891)	-	-	-	-	-	
Remeasurement of financial liability				14		14		14	
Remeasurement of financial liability				-	-	-	-	-	
Foreign exchange translation reserve	-	-	-	(94)	-	(94)	6	(88)	
Total other comprehensive income for the financial period	-	-	-	(80)	-	(80)	6	(74)	
( Loss ) / Profit net of tax for the period	-	-	-	-	(762)	(762)	(131)	(893)	
<b>Total comprehensive income for the period</b>	-	-	-	(80)	(762)	(842)	(125)	(967)	
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	-	-	-	-	-	-	-	-	
<b>At 31 March 2017</b>	<b>49,691</b>	<b>(1,188)</b>	<b>-</b>	<b>245</b>	<b>23,705</b>	<b>72,453</b>	<b>10,483</b>	<b>82,936</b>	
<b>At 1 January 2016</b>	44,800	(1,182)	4,891	352	28,659	77,520	7,962	85,482	
Remeasurement of financial liability	-	-	-	-	23	23	-	23	
Foreign exchange translation reserve	-	-	-	(27)	-	(27)	(9)	(36)	
Total other comprehensive income for the financial year	-	-	-	(27)	23	(4)	(9)	(13)	
Profit net of tax for the year	-	-	-	-	(3,160)	(3,160)	180	(2,980)	
<b>Total comprehensive income for the financial year</b>	-	-	-	(27)	(3,137)	(3,164)	171	(2,993)	
Contributions by and distribution to owners of the Company	-	(6)	-	-	-	(6)	-	(6)	
- Purchase of own shares	-	(6)	-	-	-	(6)	-	(6)	
- Subscription of additional shares in a subsidiary	-	-	-	-	-	-	2,475	2,475	
- Dividends to owners of the Company	-	-	-	-	(1,055)	(1,055)	-	(1,055)	
Total transaction with owners of the Company	-	(6)	-	-	(1,055)	(1,061)	2,475	1,414	
<b>At 31 December 2016</b>	<b>44,800</b>	<b>(1,188)</b>	<b>4,891</b>	<b>325</b>	<b>24,467</b>	<b>73,295</b>	<b>10,608</b>	<b>83,903</b>	

Note a : Pursuant to Section 618(2) of the Companies Act 2016 (CA 2016+), any amount standing to the credit of the share premium account shall become part of the share capital. Notwithstanding this, the Group may within 24 months upon commencement of the CA 2016 use the amount standing to the credit of the share premium account of RM 4,819,000 for the purposes set out in Section 618(3) of the CA 2016.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**Condensed Consolidated Cash Flow Statement for the 3 months period ended 31 March 2017**  
(unaudited)

	For the 3 months period ended 31 March 2017 RM'000	For the 3 months period ended 31 March 2016 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation from operations	(918)	(1,313)
<b>Adjustment for non-cash items:</b>		
Depreciation of investment properties	6	6
Depreciation of plant and equipment	1,712	1,243
( Gain ) / Loss on disposal of property, plant and equipment	(7)	(28)
Amortisation of deferred assets	4	-
Amortisation of prepaid lease payments	5	5
Interest paid	215	100
Interest income	(29)	(38)
Unrealised foreign exchange (gain) / loss	(101)	(466)
<b>Operating profit before changes in working capital</b>	887	(491)
<b>Changes in working capital:</b>		
Inventories	(257)	(39)
Receivables	(862)	3,774
Payables	(2,935)	(4,979)
<b>Cash (used in) / generated from operations</b>	(3,167)	(1,735)
Tax paid	(238)	(818)
Tax refund	50	-
Interest paid	(215)	(100)
<b>Net cash (used in) / generated from operating activities</b>	(3,570)	(2,653)
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(747)	(503)
Proceeds from disposal of property, plant and equipment	7	28
Interest received	29	38
<b>Net cash used in investing activities</b>	(711)	(437)
<b>Cash flows from financing activities</b>		
Proceed from issuance of shares to MI	-	2,475
Drawdown / (Repayment) of other borrowing	319	(606)
Drawdown / (Repayment) of term loan	(190)	102
<b>Net cash used in financing activities</b>	129	1,971
<b>Net (decrease) / increase in cash and cash equivalents</b>	(4,152)	(1,119)
<b>Exchange rate fluctuation reserve</b>	(99)	45
<b>Cash and cash equivalents at 1 January</b>	16,265	23,809
<b>Cash and cash equivalents at 31 March</b>	@ 12,014	22,735
@ Cash and cash equivalents comprise the following balance sheet amounts:		
Short term investments	3,152	5,544
Deposits placed with licensed banks	1,221	1,186
Cash and bank balances	9,948	18,831
Bank overdrafts	(2,307)	(2,826)
	12,014	22,735

(i) For the 3 months period ended 31 March 2017, the Group acquired property, plant and equipment amounting to RM 1,029,537 of which RM 704,291 was accrued for. There was payment for assets capitalised in year ended 31 December 2016 amounting to RM 421,679

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 March 2017**

**A1 Basis of preparation**

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 2017 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 2016.

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 2016.

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

The auditors' report on the financial statements for the year ended 31 December 2016 was not subject to any qualifications.

**A4 Seasonal or cyclical factors**

The Malaysian Automotive Association (MAA), reported that passenger vehicles recorded 127,530 new registrations for the quarter ended 31 March 2017, which represents an 8.65% increase as compared to 117,373 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.

**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 2017:

<i>Business Segments</i>	Automotive Parts RM000	Machinery Parts RM000	Plastic RM000	Others RM000	Consolidated RM000
Revenue from external customers	31,541	2,483	2,386	-	36,410
	(228)	(243)	(175)	(86)	(732)
Interest income					29
Financing costs					(215)
Loss before taxation					(918)
Tax expense					25
Loss after taxation					(893)
Translation reserve					(88)
Total comprehensive income for the period					(981)

**A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 March 2017**

**A9 Segmental reporting (cont'd)**

<i>Business Segments</i>	Automotive Parts RM'000	Machinery Parts RM'000	Plastic RM'000	Others RM'000	Consolidated RM'000
<b>Segment assets</b>	95,388	15,621	12,785	1,152	124,946
<b>Total assets</b>					<u>124,946</u>
<b>Segment liabilities</b>	34,341	1,288	6,056	325	42,010
<b>Total liabilities</b>					<u>42,010</u>
Capital expenditure	867	162	-	-	1,029
Depreciation of investment properties	2	4	-	-	6
Depreciation of plant and equipment	1,502	87	123	0	1,712

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.

**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 2017 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 2017.

**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 31.3.2017 RM'000	As at 31.3.2016 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>280</u>	<u>5,917</u>

**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 31.3.2017 RM'000	quarter ended 31.3.2016 RM'000	RM'000	%
Automotive parts	31,541	26,959	4,582	16.99%
Machinery parts	2,483	3,315	(832)	(25.09%)
Plastic	2,386	1,073	1,313	122.36%
	<u>36,410</u>	<u>31,347</u>	<u>5,063</u>	<u>16.15%</u>
<b>PBT by segment</b>				
Automotive parts	(326)	(93)	(233)	(250.54%)
Machinery parts	(225)	(120)	(105)	(87.50%)
Plastic	(46)	(536)	490	91.42%
	<u>(597)</u>	<u>(749)</u>	<u>152</u>	<u>20.29%</u>

**Automotive parts**

Revenue from both Carpet and Braking products increased by MYR1.4m and MYR3.2m respectively for the reporting period against Q1d6. The major contributors towards the increased sales were Proton, Honda and Perodua. However; even with the improved turnover bottom line margins were lower as the Ringgit continued to weaken against the US Dollar resulting in increased cost of materials.

(note : Mar 2016 - MYR3.9:USD1.0; Mar 2017 - MYR4.4:USD1.0)

**Machinery parts**

The Machinery parts segment remained sluggish as a large portion of its traditional business comes from the palm oil sector which has not recovered and new investments not forthcoming.

**Plastic**

Turnover grew by MYR1.3m (122%) compared to the corresponding period in the previous year and efforts to diversify its product range and industry sector of its customers are showing results.

**B2. Variation of results against preceding quarter**

Quarter Ended	Revenue		Profit before Tax	
	31.3.2017 RMd00	31.12.2016 RMd00	31.3.2017 RMd00	31.12.2016 RMd00
<b>Consolidated total</b>	<b>36,410</b>	<b>37,478</b>	<b>(597)</b>	<b>(1,483)</b>
<b>Business Segment:</b>				
Automotive parts	31,541	32,799	(326)	(1,390)
Machinery parts	2,483	2,747	(225)	(90)
Plastic Resin	2,386	1,932	(46)	(3)

The Group’s revenue for the reporting period recorded a 2.85% decrease in comparison to the preceding quarter.

**Automotive parts**

Both Carpet and Braking products recorded lower sale for Q1d7 against the preceding quarter as almost all manufacturers recorded reduce volumes. Depreciation and overheads in relation to the new Sendayan plant was responsible for the increased losses suffered in 2016. Mass production for the Sendayan plant commenced in Q4d6.



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

**B2. Variation of results against preceding quarter (cont’d)**

**Machinery parts**

Historically; the first quarter would be the slowest for the segment coupled with the sluggish palm oil sector (as reported in note B1 above), the Machinery parts suffer a loss for the period of MYR0.2m.

**Plastic**

Despite the stronger sales, margins continue to erode due to raw resin prices were slow to rebound from sluggish second half of 2016. Even though exchange rate was favorable (as sales are mostly transacted in USD) but wasn’t enough to offset eroding margins.

**B3. Prospects for 2017**

**Automotive parts**

MAA industry forecast for 2017 is as follows:

Market segment	2017	2016	Variance	
	Forecast	Actual	Units	%
Passenger vehicles	522,000	514,545	7,455	1.4
Commercial vehicles	68,000	65,579	2,421	3.7
Total vehicles	590,000	580,124	9,876	1.7

In view of the above, the Automotive Parts segment is expected to remain flat in terms of volume and challenging in terms of performance as material cost remains adversely affected by the weak Malaysian Ringgit.

**Machinery parts**

The segment is expected to remain challenging in line with the prevailing general economic sentiments.

**Plastic**

Whilst selling prices has shown signs of recovery, a significant rebound is not expected within the short term.

**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 2017.

**B5. Taxation**

	3 months period ended		Financial period ended	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016
Income tax expenses	RM'000	RM'000	RM'000	RM'000
- Current year	(6)	(571)	(6)	(571)
- Prior year	-	-	-	-
	(6)	(571)	(6)	(571)
Deferred tax				
- Origination & reversal of temporary differences	31	677	31	677
- Prior year	-	-	-	-
	25	106	25	106

**B6. Status of corporate proposals announced**

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

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

**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	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016
	RM'000	RM'000	RM'000	RM'000
Interest income	29	38	29	38
Other income including investment income	93	52	93	52
Interest expenses	(215)	(146)	(215)	(146)
Depreciation and amortization	(1,718)	(1,249)	(1,718)	(1,249)
Development cost	(258)	(183)	(258)	(183)
Net foreign exchange gain / ( loss )	(21)	(592)	(21)	(592)

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 2017.

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

	31.3.2017
	RM'000
	Secured
<b>Current</b>	
Borrowings . Bankers' acceptances	1,779
Borrowings . Term loans	1,650
Borrowings . Bank Overdraft	2,307
	<u>5,736</u>
<b>Non-current</b>	
Repayable after more than 12 months	
Borrowings - Term Loans	11,647
	<u>11,647</u>

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

**B9. Amount owing to related company**

The amount owing to related company is loan from related company bearing a 3% interest per annum and it is repayable within 12 months.

**B10. Material litigation**

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

**B11. Dividend**

The Board of Directors does not recommend any dividend for the current period ended 31 March 2017.

**B12. Retained Earnings**

	As at 31.3.2017	As at 31.3.2016
	RM'000	RM'000
Total retained earnings of the Company and subsidiaries		
- Realised profit	49,894	53,613
- Unrealised profit	631	633
	<u>50,525</u>	<u>54,246</u>
Less : Consolidated Adjustments	(26,820)	(26,875)
Total retained earnings	<u>23,705</u>	<u>27,371</u>

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

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**B13. 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 31.3.2017 RM'000	For the cumulative 3 months period ended 31.3.2017 RM'000
Profit/(Loss) for the period	(893)	(893)
Profit/(Loss) attributable to minority interest	<u>(131)</u>	<u>(131)</u>
Profit/(Loss) for the period attributable to Shareholders of the Company	<u>(762)</u>	<u>(762)</u>
Weighted average number of ordinary shares	<u>42,167</u>	<u>42,167</u>
Basic earnings per share (sen)	<u>(1.80)</u>	<u>(1.80)</u>