

SMIS Corporation Berhad

Company No. 491857 – V
(Incorporated in Malaysia)

Interim Financial Report
30 June 2018

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

Condensed Consolidated Statement of Financial Position as at 30 June 2018
(unaudited)

	Note	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		43,086	45,381
Land use rights		12,163	12,818
Investment properties		377	389
Deferred tax assets		559	560
Total non-current assets		<u>56,185</u>	<u>59,148</u>
Current Assets			
Inventories		15,250	16,153
Trade and other receivables		26,843	33,233
Tax recoverable		5,135	5,112
Non current assets held for sales		493	493
Short term investment		-	4,320
Cash and bank balances		13,902	8,257
Total current assets		<u>61,623</u>	<u>67,568</u>
TOTAL ASSETS		<u>117,808</u>	<u>126,716</u>
EQUITY AND LIABILITIES			
Equity			
Share capital*		49,691	49,691
Reserves		14,657	17,062
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		<u>63,156</u>	<u>65,561</u>
Non-controlling interest		14,358	11,209
Total equity		<u>77,514</u>	<u>76,770</u>
Non-current liabilities			
Loan and borrowings	B8	6,676	10,394
Deferred tax liabilities		191	191
Total non-current liabilities		<u>6,867</u>	<u>10,585</u>
Current liabilities			
Trade and other payables		18,718	23,114
Loan and borrowings	B8	14,616	16,216
Tax payable		93	31
Total current liabilities		<u>33,427</u>	<u>39,361</u>
Total liabilities		40,294	49,946
Total equity and liabilities		<u>117,808</u>	<u>126,716</u>
Net assets per share (RM)		1.41	1.46

* 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 4,891,000 for the purposes set out in Section 618(3) of the CA 2016. The Board of Directors will make a decision thereon by 31 January 2019.

Note:-

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 6 months period ended 30 June 2018 (unaudited)

	Note	3 months period ended 30 June		6 months period ended 30 June	
		2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Continuing operations					
Revenue		29,618	29,140	61,995	63,164
Cost of sale		(26,236)	(27,031)	(53,887)	(55,580)
Gross profit		<u>3,382</u>	<u>2,109</u>	<u>8,108</u>	<u>7,584</u>
Operating expenses		(3,631)	(3,904)	(8,972)	(9,169)
Other operating income		402	241	836	446
Operating (loss)/profit		<u>153</u>	<u>(1,554)</u>	<u>(28)</u>	<u>(1,139)</u>
Finance costs		(395)	(145)	(726)	(260)
Interest income		35	47	61	76
(Loss)/profit before taxation		<u>(207)</u>	<u>(1,652)</u>	<u>(693)</u>	<u>(1,323)</u>
Tax (expense)/income	B5	-	244	-	269
(Loss)/profit after taxation from continuing operations, net of tax		<u>(207)</u>	<u>(1,408)</u>	<u>(693)</u>	<u>(1,054)</u>
(Loss)/profit from discontinued operation, net of tax		<u>(27)</u>	<u>187</u>	<u>(283)</u>	<u>(1,060)</u>
(Loss)/profit for the period		<u><u>(234)</u></u>	<u><u>(1,221)</u></u>	<u><u>(976)</u></u>	<u><u>(2,114)</u></u>
Other comprehensive income/(expense), net of tax					
Item that will not be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		88	223	(680)	135
Other comprehensive (expense)/income for the period, net of tax		<u>88</u>	<u>223</u>	<u>(680)</u>	<u>135</u>
Total comprehensive (expense)/income for the period		<u><u>(146)</u></u>	<u><u>(998)</u></u>	<u><u>(1,656)</u></u>	<u><u>(1,979)</u></u>
(Loss)/profit attributable to:					
Owners of the Company					
- From continuing operations		(575)	(777)	(1,449)	(697)
- From discontinued operation		(26)	(181)	(273)	(1,023)
		<u>(601)</u>	<u>(958)</u>	<u>(1,722)</u>	<u>(1,720)</u>
Non-controlling interests		367	(263)	746	(394)
(Loss)/profit for the period		<u><u>(234)</u></u>	<u><u>(1,221)</u></u>	<u><u>(976)</u></u>	<u><u>(2,114)</u></u>
Total comprehensive (expense)/income attributable to:					
Owners of the Company					
- From continuing operations		(489)	(568)	(2,132)	(581)
- From discontinued operation		(26)	(181)	(273)	(1,023)
		<u>(515)</u>	<u>(749)</u>	<u>(2,405)</u>	<u>(1,604)</u>
Non-controlling interests		369	(249)	749	(375)
Total comprehensive (expense)/income for the period		<u><u>(146)</u></u>	<u><u>(998)</u></u>	<u><u>(1,656)</u></u>	<u><u>(1,979)</u></u>
Basic earnings per ordinary share (sen)					
- From continuing operations		(1.36)	(1.84)	(3.44)	(1.65)
- From discontinued operation		(0.06)	(0.43)	(0.65)	(2.43)
	B11	<u><u>(1.43)</u></u>	<u><u>(2.27)</u></u>	<u><u>(4.08)</u></u>	<u><u>(4.08)</u></u>
Diluted earnings per ordinary share (sen)		N/A	N/A	N/A	N/A

Notes:-

N/A = Not applicable

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 Changes in Equity for the 6 months period ended 30 June 2018
(unaudited)

	← Attributable to the owners of the Company →							Total equity RM'000
	← 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 interest RM'000	
At 1 January 2018	49,691	(1,192)	-	(406)	17,468	65,561	11,209	76,770
Foreign exchange translation reserve	-	-	-	(683)	-	(683)	3	(680)
Total comprehensive (expense)/income for the financial period (Loss)/profit from discontinued operation, net of tax	-	-	-	(683)	-	(683)	3	(680)
Loss net of tax for the period from continuing operations	-	-	-	-	(1,449)	(1,449)	756	(693)
Total comprehensive (expense)/income for the financial period	-	-	-	(683)	(1,722)	(2,405)	749	(1,656)
Contributions by and distribution to owners of the Company								
- Purchase of own shares	-	-	-	-	-	-	-	-
- Subscription of additional shares in a subsidiary	-	-	-	-	-	-	2,400	2,400
Total transaction with owners of the Company	-	-	-	-	-	-	2,400	2,400
At 30 June 2018	49,691	(1,192)	-	(1,089)	15,746	63,156	14,358	77,514
At 1 January 2017	44,800	(1,188)	4,891	325	24,467	73,295	10,608	83,903
Adjustment for effects of Companies Act 2016 (Note a)	4,891	-	(4,891)	-	-	-	-	-
Foreign currency translation reserve	-	-	-	(762)	-	(762)	80	(682)
(Loss)/profit from discontinued operation, net of tax	-	-	-	-	(1,810)	(1,810)	6	(1,804)
Loss net of tax for the period from continuing operations	-	-	-	-	(2,861)	(2,861)	(571)	(3,432)
Total other comprehensive (loss)/income for the financial year	-	-	-	(762)	(4,671)	(5,433)	(485)	(5,918)
Contributions by and distribution to owners of the Company								
- Purchase of own shares	-	(4)	-	-	-	(4)	-	(4)
- Subscription of additional shares in a subsidiary	-	-	-	31	(2,328)	(2,297)	1,086	(1,211)
- Dividends to owners of the Company	-	-	-	-	-	-	-	-
Total transaction with owners of the Company	-	(4)	-	31	(2,328)	(2,301)	1,086	(1,215)
At 31 December 2017	49,691	(1,192)	-	(406)	17,468	65,561	11,209	76,770

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 4,891,000 for the purposes set out in Section 618(3) of the CA 2016. The Board of Directors will make a decision thereon by 31 January 2019.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

Interim Report
SMIS Corporation Berhad
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Condensed Consolidated Statement of Cash Flows for the 6 months period ended 30 June 2018
(unaudited)

	6 months period ended 30 June 2018 RM'000	6 months period ended 30 June 2017 RM'000
Cash Flows From Operating Activities		
Loss before tax	(976)	(2,383)
Adjustment for non-cash items:-		
Non cash item arising from property, plant and equipment	3,359	3,407
Unrealised currency exchange loss/(gain)	753	(416)
Interest income	(61)	(76)
Interest expense	673	435
Operating profit before working capital changes	3,748	967
Changes in working capital:-		
Inventories	903	(883)
Trade and other receivables	5,638	3,624
Trade and other payables	(4,717)	(3,200)
Cash generated from/(used in) operations	5,572	508
Interest paid	(11)	(435)
Tax refund	-	272
Tax paid	40	(637)
Net cash generated from/(used in) operating activities	5,601	(292)
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment (i)	(1,043)	(15,183)
Interest received	61	76
Proceeds from disposal of property, plant and equipment	31	112
Net cash used in investing activities	(951)	(14,995)
Cash Flows From Financing Activities		
Proceeds from issuance of shares to MI	2,400	-
Purchase of treasury shares	-	(4)
Net drawdown/(repayment) of Term Loans	(4,755)	-
Net drawdown/(repayment) of other borrowings	(8)	9,946
Interest paid	(662)	-
Net cash generated from financing activities	(3,025)	9,942
Exchange rate fluctuation reserve	254	700
Net decrease in cash and cash equivalents	1,879	(4,645)
Cash and cash equivalents at 1 January	12,023	16,265
Cash and cash equivalents at 30 June @	13,902	11,620
@ Cash and cash equivalents comprise the following balance sheet amounts:-		
Short term investments	-	2,522
Deposits placed with licensed banks	15	1,278
Cash and bank balances	13,887	8,588
Bank overdrafts	-	(768)
	13,902	11,620

(i) For the 6 months period ended 30 June 2018, the Group acquired property, plant and equipment amounting to RM 1,231,969 of which RM 189,242 was accrued for. There was payment for assets capitalised in year ended 31 December 2017 amounting to RM 73,069

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

A Notes to Interim Financial Report on Consolidated Results for the Period Ended 30 June 2018

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 2018 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 2017.

A2 Changes in Accounting Policies

The significant policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 was not subject to any qualifications.

A4 Seasonal or cyclical factors

The Malaysian Automotive Association ("MAA"), reported that passenger vehicles recorded 139,947 new registrations for the quarter ended 30 June 2018, which represents an 9.22% increase as compared to 128,129 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.

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A Notes to Interim Financial Report on Consolidated Results for the Period Ended 30 June 2018

A9 Segmental reporting

Segmental analysis of the results and assets employed for the 6 months period ended 30 June 2018:

Business Segments	Automotive Parts RM'000	Machinery Parts RM'000	Plastic RM'000	Others RM'000	Consolidated RM'000
Revenue from external customers	56,815	5,180	-	-	61,995
Segment results	497	161	(163)	(523)	(28)
Interest income					61
Financing costs					(726)
Loss before taxation					(693)
Tax expenses					-
Loss from continuing operations, net of tax					(693)
Loss from discontinued operation, net of tax					(283)
Loss after taxation for the period					(976)
Translation reserve					(680)
Total comprehensive expense for the period					(1,656)
Segment assets	83,943	14,909	6,232	12,231	117,315
Non Current assets held for sales			493		493
Total assets					117,808
Segment liabilities	21,950	1,422	2,665	14,257	40,294
Total liabilities					40,294
Capital expenditure	1,228	4	-	-	1,232
Depreciation and amortisation	3,168	82	115	-	3,365
Other than depreciation and amortisation	(32)	-			(32)

There were no valuations of property, plant and equipment performed or brought forward from the previous financial year.

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 30 June 2018 to the date of this announcement.

A12 Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter.

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 30.6.2018 RM'000	As at 30.6.2017 RM'000
Plant and equipment Contracted but not provided for in the financial statements	369	288

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

B1 Review of performance

	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year Quarter	Preceding Year Corresponding Quarter		
	30.06.2018 RM'000	30.06.2017 RM'000 Restated	RM'000	%	30.06.2018 RM'000	30.06.2017 RM'000 Restated	RM'000	%
Revenue	29,618	29,140	478	1.6	61,995	63,164	(1,169)	(1.9)
Gross profit	3,382	2,109	1,273	60.4	8,108	7,584	524	6.9
(Loss)/profit before interest and tax	153	(1,554)	1,707	(109.8)	(28)	(1,139)	1,111	(97.5)
(Loss)/profit before tax	(207)	(1,652)	1,445	(87.5)	(693)	(1,323)	630	(47.6)
(Loss)/profit after taxation from continuing operations	(207)	(1,408)	1,201	(85.3)	(693)	(1,054)	361	(34.3)
(Loss)/profit after taxation from discontinued operation	(27)	187	(214)	(114.4)	(283)	(1,060)	777	(73.3)
(Loss)/profit attributable to the owners of the company	(601)	(958)	357	(37.3)	(1,722)	(1,720)	(2)	0.1

The Group reported revenue of MYR29.6m and loss before tax of MYR0.20m for the current quarter compared to revenue of MYR29.1m and loss before tax of MYR1.65m respectively achieved in the previous corresponding quarter.

The review of the Group's performance, analysed by its key operating segments were as follows:-

Automotive parts

Revenue from the carpet segment from Malaysia improved marginally by MYR0.23m to MYR17.32m. PBT improved from loss MYR0.23m to profit MYR1.79m as a result of cost rationalisation and price adjustment to reflect a weaker Malaysian Ringgit against the US Dollar. In Indonesia, revenue improved from MYR0.35m to MYR1.05m as production for SGMW, Toyota and Isuzu models commence. Loss from the Indonesian operations narrowed marginally from MYR0.50m to MYR0.49m.

Revenue from braking component segment dropped by MYR0.27m to MYR8.85m due to the phase out of the previous Perodua MYVI in September 2017. Loss for the segment narrowed marginally from MYR0.94m to MYR0.92m.

Machinery parts

Revenue for the current quarter showed a decrease of 25.44% to MYR2.05m from MYR2.74m in the preceding corresponding year's quarter. Most CAPEX were deferred while waiting for clarity as to the removal of GST and reinstatement of SST. A loss was recorded for the period of MYR0.08m against a PBT of MYR0.67m

B2 Variation of results against preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes	
	30.06.2018 RM'000	31.03.2018 RM'000	RM'000	%
Revenue	29,618	32,377	(2,759)	(8.5)
Gross profit	3,382	4,726	(1,344)	(28.4)
Loss before interest and tax	153	(181)	334	(184.5)
Loss before tax	(207)	(486)	279	(57.4)
(Loss)/profit after taxation from continuing operations	(207)	(486)	279	(57.4)
(Loss)/profit after taxation from discontinued operation	(27)	(256)	229	(89.5)
Loss attributable to the owners of the company	(601)	(1,121)	520	(46.4)

The Group's revenue for the reporting period recorded a 8.5% reduction in comparison to the immediate preceding quarter.

Automotive parts

Revenue from the carpet segment from Malaysia decreased by 6.14% or MYR1.13m (from MYR18.45m to MYR17.32m) from the preceding quarter due to lower sales to Toyota, Proton Mazda and Mitsubishi. PBT improved to MYR1.79m from MYR0.59m due to product mix and improved cost control measures. In Indonesia sales revenue improved from MYR0.90m to MYR1.05m, reducing the loss for the period from MYR0.67m to MYR0.49m.

Revenue from the braking products segment dropped to MYR8.85m from MYR9.49m. Losses for the period was MYR0.92m from higher materials and factory overheads.

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

Machinery parts segment recorded reduced revenue to MYR2.05m from MYR3.13m with losses for the period of MYR0.08m against a profit of MYR0.30m in the preceding quarter mainly due to low sales in May and promotional activities on the same period. Zero rated GST pushed certain order bookings to mid June which were not able to be executed within the quarter.

B3 Prospects for 2018

Automotive parts

MAA industry forecast for 2018 is as follows:

Market segment	2018	2018	2017	Variance	
	Revised Forecast	Original Forecast	Actual	Units	%
Passenger vehicles	523,000	526,500	514,679	8,321	1.6
Commercial vehicles	62,000	63,500	61,956	44	0.1
Total vehicles	585,000	590,000	576,635	8,365	1.5

MAA has revised the forecast for 2018 with an increase of 1.5% in total volume against 2017 (previous forecast for 2018 was 590,000 units).

Machinery parts

In view of the improving oil palm sector, the Management is optimistic that it should be able to achieve satisfactory results. Furthermore, exploration into business opportunities in other sectors (such as chemicals and food & beverage) and other countries is on-going to ensure diversification of revenue stream.

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 June 2018.

B5 Taxation

	3 months period ended		Financial period ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Income tax (expenses)/income				
- Current year	-	232	-	226
- Prior year	-	-	-	-
Deferred tax				
- Origination and reversal of temporary differences	-	12	-	43
	-	244	-	269

B6 Status of corporate proposals announced

The Group does not have any corporate proposal as at the date of this announcement.

B7 Notes to the Statement of Comprehensive Income

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

	3 months period ended		Financial period ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Interest income	35	47	61	76
Other income including investment income	97	150	575	243
Interest expenses	(328)	(220)	(673)	(435)
Depreciation and amortisation	(1,696)	(1,717)	(3,349)	(3,435)
Development cost	(100)	(133)	(273)	(391)
Net foreign exchange loss	712	(118)	(769)	(139)

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 June 2018.

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

B8 Group’s borrowings and debt securities

	As at 30 June 2018		
	Long term RM'000	Short term RM'000	Total RM'000
Secured:-			
Bankers' acceptance	-	-	-
Bank overdraft	-	-	-
Revolving credit	-	13,952	13,952
Term loans	6,676	664	7,340
	<u>6,676</u>	<u>14,616</u>	<u>21,292</u>

	As at 30 June 2017		
	Long term RM'000	Short term RM'000	Total RM'000
Secured:-			
Bankers' acceptance	-	1,067	1,067
Bank overdraft	-	768	768
Revolving credit	-	11,033	11,033
Term loans	11,075	1,864	12,939
	<u>11,075</u>	<u>14,732</u>	<u>25,807</u>

All the above borrowings are denominated in Ringgit Malaysia and the Group does not have any foreign denominated borrowings or any unsecured borrowings. The banker acceptance and bank overdraft of the Group bears interest rates of 3.39% and 8.31% per annum respectively whilst both revolving credit and term loans bears interest rate of 5.39% per annum.

B9 Material litigation

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

B10 Dividend

The Board of Directors does not recommend any dividend for the current period ended 30 June 2018

B11 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 30.06.2018 RM'000	For the cumulative 6 months ended 30.06.2018 RM'000
(Loss)/profit attributable to Owners of the Company :		
From continuing operations	(575)	(1,449)
From discontinued operation	(26)	(273)
	<u>(601)</u>	<u>(1,722)</u>
Profit/(Loss) attributable to minority interest	367	746
Loss for the period	<u>(234)</u>	<u>(976)</u>
Weighted average number of ordinary shares	<u>42,163</u>	<u>42,163</u>
Basic earnings per share (sen)	<u>(1.36)</u>	<u>(3.44)</u>