

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

Condensed Consolidated Statement of Financial Position as at 30 September 2016
(unaudited)

	Note	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		53,085	34,684
Investment properties		416	433
Deferred tax assets		1,248	1,235
Total non current assets		<u>54,749</u>	<u>36,352</u>
Current assets			
Trade and other receivables		31,959	31,113
Prepayments		1,962	2,545
Inventories		18,811	18,055
Tax recoverable		4,367	2,705
Cash and bank balances		19,284	26,388
Total current assets		<u>76,383</u>	<u>80,806</u>
TOTAL ASSETS		<u>131,132</u>	<u>117,158</u>
Equity			
Share capital		44,800	44,800
Reserves		31,710	33,902
Less: 2,626,100 treasury shares, at cost		(1,185)	(1,182)
Total equity attributable to the shareholders of the Company		75,325	77,520
Non-controlling interests		10,758	7,962
Total equity		<u>86,083</u>	<u>85,482</u>
Non-current liabilities			
Loans and borrowings	B8	8,725	1,960
Other financial liabilities		23	23
Deferred tax liabilities		377	814
Total non current liabilities		<u>9,125</u>	<u>2,797</u>
Current liabilities			
Loans and borrowings	B8	5,366	4,089
Amount owing to a related company	B9	609	-
Trade and other payables		29,932	24,741
Tax payable		17	49
Total current liabilities		<u>35,924</u>	<u>28,879</u>
TOTAL EQUITY AND LIABILITIES		<u>131,132</u>	<u>117,158</u>
Net assets per share (RM)		1.68	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.

Interim Report
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Condensed Consolidated Statement of Comprehensive Income for the 9 months period ended 30 September 2016
(unaudited)

	3 months period ended 30 September		9 months period ended 30 September	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	34,649	31,536	102,300	107,511
Cost of sales	(29,339)	(26,723)	(86,392)	(91,564)
Gross profit	5,310	4,813	15,908	15,947
Operating expenses	(5,148)	(5,359)	(16,244)	(14,941)
Other operating income	220	984	325	1,924
Operating profit / (loss)	382	438	(11)	2,930
Financing costs	(236)	(128)	(511)	(428)
Interest income	34	51	125	102
Profit / (Loss) before taxation	180	361	(397)	2,604
Tax expense	(24)	(337)	(298)	(1,128)
Profit / (Loss) after taxation	156	24	(695)	1,476
Other comprehensive income, net of tax				
Item that will not be reclassified				
subsequently to profit or loss				
Foreign currency translation differences for foreign operations	81	171	(121)	243
Other comprehensive income for the period, net of tax	81	171	(121)	243
Total comprehensive income for the period	237	195	(816)	1,719
Profit / (Loss) attributable to:				
Owners of the Company	73	(75)	(1,027)	849
Non-controlling interests	83	99	332	627
Profit / (Loss) for the period	156	24	(695)	1,476
Total comprehensive income attributable to :				
Owners of the Company	128	90	(1,136)	1,084
Non-controlling interests	109	105	320	635
Total comprehensive income for the period	237	195	(816)	1,719
Basic earnings per ordinary share (sen)	0.17	(0.18)	(2.43)	2.02
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 9 months period ended 30 September 2016
(unaudited)

	Attributable to the owners of the Company				Retained profits RM'000	Total RM'000	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				
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	-	-	-	(110)	-	(110)	(11)	(121)
Total other comprehensive income for the financial period	-	-	-	(110)	-	(110)	(11)	(121)
(Loss) / Profit net of tax for the period	-	-	-	-	(1,027)	(1,027)	332	(695)
Total comprehensive income for the period	-	-	-	(110)	(1,027)	(1,137)	321	(816)
Contributions by and distribution to owners of the Company	-	-	-	-	-	-	-	-
- Purchase of own shares	-	(3)	-	-	-	(3)	-	(3)
- Dividends to owners of the Company	-	-	-	-	(1,055)	(1,055)	-	(1,055)
Total transaction with owners of the Company	-	(3)	-	-	(1,055)	(1,058)	-	(1,058)
At 30 September 2016	44,800	(1,185)	4,891	242	26,577	75,325	10,758	86,083
							10,758	
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 9 months period ended 30 September 2016
(unaudited)

	For the 9 months period ended 30 September 2016 RM'000	For the 9 months period ended 30 September 2015 RM'000
Cash flows from operating activities		
Profit before taxation from operations	(397)	2,604
Adjustment for non-cash items:		
Allowance for slow moving stocks	-	288
Depreciation of investment properties	17	17
Depreciation of plant and equipment	4,392	4,074
(Gain) / Loss on disposal of property, plant and equipment	(53)	(7)
Amortisation of prepaid lease payments	15	15
Interest paid	435	355
Interest income	(125)	(102)
Unrealised foreign exchange (gain) / loss	413	874
Operating profit before changes in working capital	4,697	8,118
Changes in working capital:		
Inventories	(756)	(2,537)
Receivables	(569)	12,946
Payables	(4,279)	(7,406)
Cash (used in) / generated from operations	(907)	11,121
Tax paid	(2,499)	(2,326)
Tax refund	57	377
Interest paid	(435)	(355)
Net cash (used in) / generated from operating activities	(3,784)	8,817
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12,843)	(4,017)
Proceeds from disposal of property, plant and equipment	53	6
Interest received	125	102
Net cash used in investing activities	(12,665)	(3,909)
Cash flows from financing activities		
Purchase of treasury share	(3)	(1)
Proceed from issuance of shares to MI	2,475	-
Drawdown / (Repayment) of other borrowing	(347)	(383)
Drawdown / (Repayment) of term loan	8,028	(301)
Dividend Paid	(1,055)	(1,055)
Net cash used in financing activities	9,098	(1,740)
Net (decrease) / increase in cash and cash equivalents	(7,351)	3,168
Exchange rate fluctuation reserve	(114)	297
Cash and cash equivalents at 1 January	23,809	17,529
Cash and cash equivalents at 30 September	16,344	20,994
@ Cash and cash equivalents comprise the following balance sheet amounts:		
Short term investments	6,807	3,951
Deposits placed with licensed banks	1,204	1,169
Cash and bank balances	11,273	18,539
Bank overdrafts	(2,940)	(2,665)
	16,344	20,994

(i) For the 9 months period ended 30 September 2016, the Group acquired property, plant and equipment amounting to RM 22,922,571 of which RM 10,079,738 was accrued for. There was payment for assets capitalised in year ended 31 December 2015 amounting to RM 272,193

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.

A Notes to Interim Financial Report on Consolidated Results for the Period Ended 30 September 2016

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 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 187,434 new passenger vehicles registrations for the quarter ended 30 September 2016, which represents a 29.10% increase as compared to 145,183 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 September 2016

A9 Segmental reporting

Segmental analysis of the results and assets employed for the 9 months period ended 30 September 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	89,505	8,554	4,241	-	102,300
Segment results	1,711	(119)	(1,369)	(234)	(11)
Interest income					125
Financing costs					(511)
Loss before taxation					(397)
Tax expense					(298)
Loss after taxation					(695)
Translation reserve					(121)
Total comprehensive income for the period					(816)

<i>Business Segments</i>	Automotive Parts RM'000	Machinery Parts RM'000	Plastic RM'000	Others RM'000	Consolidated RM'000
Segment assets	99,999	16,911	12,422	1,800	131,132
Total assets					131,132
Segment liabilities	37,046	895	7,026	82	45,049
Total liabilities					45,049

<i>Business Segments</i>	Automotive Parts RM'000	Machinery Parts RM'000	Plastic RM'000	Others RM'000	Consolidated RM'000
Capital expenditure	22,875	104	(59)	-	22,920
Depreciation of investment properties	5	12	-	-	17
Depreciation of plant and equipment	3,761	251	380	-	4,392

No segmental reporting has been prepared for geographical segments as the Group's activities are predominantly carried out in Malaysia.

A Notes to Interim Financial Report on Consolidated Results for the Period Ended 30 September 2016

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 September 2016 to the date of this announcement.

A12 Changes in the composition of the Group

There were no major changes in the composition of the Group during the current quarter except the following:-

On 23 September 2016, the Company has acquired 100% of the issued and paid-up share capital of the following shelf companies for a total cash consideration of RM2.00 each:

- (i) SMIS Grand Ventures Sdn. Bhd. (formerly known as Ubud Leaders Sdn. Bhd.)
- (ii) Cendana Eksotik Sdn. Bhd.

(collectively referred to as the "Acquisitions")

The above Acquisitions resulted the abovementioned companies becoming wholly-owned subsidiaries of the Company.

A13 Contingent assets and contingent liabilities

There were no contingent assets and contingent liabilities for the current quarter.

A14 Capital commitments

The capital commitments of the Group for the quarter under review are as follows:

	As at 30.09.2016 RM'000	As at 30.09.2015 RM'000
Plant and equipment Contracted but not provided in the financial statements	1,094	5,807

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

B1. Review of performance

The Group's performance for the quarter under review against the corresponding quarter of the previous financial year is tabled below:-

Revenue by segment	For the	For the	Increase / (Decrease)	
	quarter ended 30.09.2016 RM'000	quarter ended 30.09.2015 RM'000	RM'000	%
Automotive parts	30,611	25,891	4,720	18.23%
Machinery parts	2,392	3,106	(714)	(22.99%)
Plastic	1,646	2,539	(893)	(35.17%)
	<u>34,649</u>	<u>31,536</u>	<u>3,113</u>	<u>9.87%</u>
PBT by segment				
Automotive parts	684	1,092	(408)	(37.36%)
Machinery parts	(41)	(652)	611	93.71%
Plastic	(236)	(295)	59	20.00%
	<u>407</u>	<u>145</u>	<u>262</u>	<u>180.69%</u>

The Group's revenue recorded a 9.87% increase for the quarter ended 30 September 2016, in comparison to the previous corresponding period.

Automotive parts

Sales revenue for braking components improved by RM0.77m for the reporting period against the Q3' 2015 mainly contributed by sales to Honda.

Carpet products performed much better recording an increase of turnover of RM3.95m as almost all brands recorded higher volumes.

Profits for the Automotive parts segment declined by RM0.4m due to additional overheads incurred by the new Sendayan and Indonesia plants which are not in mass production yet and product mix with lower margins.

Machinery parts

Lower revenue was recorded as sales in the palm oil sector slowed. The CPO production volume was approximately 30% reduced from 2015 and most mills held back any investment plans.

Plastic

Turnover was severely impacted as demand for regenerated raw materials dropped due to falling prices of prime materials. However, bottom line was maintained and the company was able to restructure cost in line with lower volumes.

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

B2. Variation of results against preceding quarter

	Revenue		Profit before Tax	
	Quarter Ended 30.09.2016 RM'000	Quarter Ended 30.06.2016 RM'000	Quarter Ended 30.09.2016 RM'000	Quarter Ended 30.06.2016 RM'000
Consolidated total	34,649	36,304	407	966
Business Segment:				
Automotive parts	30,611	31,932	684	998
Machinery parts	2,392	2,850	(41)	93
Plastic Resin	1,646	1,522	(236)	(125)

The Group’s revenue for the reporting period recorded a 4.56% decrease in comparison to the preceding quarter.

Automotive parts

Generally demand for automotive parts was lower than the preceding period as most brands scaled back production volumes. The decrease in profits is in line with the reduced volumes.

Machinery parts

As per note B1, machinery parts sales to the palm oil sector slowed as CPO production slowed. PBT reduction is in line with the reduced volume.

Plastic

Whist, recording a slight increase in turnover, margins was squeezed due to more competitive prime raw material prices as per note B1.

B3. Prospects for 2016

Automotive parts

MAA industry forecast for 2016 is as follows:

Market segment	2016	2016	2015	Variance	
	Revised Forecast	Original Forecast	Actual	Units	%
Passenger vehicles	515,000	575,250	591,298	(76,298)	(12.9)
Commercial vehicles	65,000	74,750	75,376	(10,376)	(13.8)
Total vehicles	580,000	650,000	666,674	(86,674)	(13.0)

MAA has revised the forecast for 2016 with a 13.0 % decrease in total volume against 2015 (previous forecast for 2016 was 650,000 units). In view of the above, the Group expects its Automotive Parts segment to be challenging.

Machinery parts

CPO production is not expected to improve for the remaining of 2016 and the Malaysian Ringgit remains volatile. Until volumes improve, most palm oil mills will continue to delay CAPEX commitments where possible.

Plastic

The company has been able to diversify its product range away from heavy reliance on electronic segment which remains suppressed. Efforts are now focused on expanding its geographical coverage.

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

B4. Profit estimate, forecast, projection or internal targets and profit guarantee

The Group did not announce or provide any profit estimate, forecast, projection, internal targets for the financial period ended 30 September 2016.

B5. Taxation

	3 months period ended		Financial period ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	42	(229)	(670)	(963)
- Prior year	(78)	-	(78)	-
	(36)	(229)	(748)	(963)
Deferred tax				
- Origination and reversal of temporary differences	12	(82)	450	(139)
- Prior year	-	(26)	-	(26)
	(24)	(337)	(298)	(1,128)

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 year ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Interest income	34	51	125	102
Other income including investment income	136	76*	325	243*
Interest expenses	(222)	(117)	(435)	(355)
Depreciation and amortization	(1,581)	(1,468)	(4,409)	(4,091)
Development cost	(109)	(262)	(475)	(852)
Net foreign exchange gain / (loss)	(115)	758	(864)	1,360

* Comparative figures for other income including investment income had been revised due to reclassification of foreign exchange gain / (loss).

Other than the above, there was no gain or loss on disposal of quoted or unquoted investments or properties, gain or loss on derivatives and exceptional items included in the results for the current quarter ended 30 September 2016.

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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

	30.09.2016 RM'000 Secured
Current	
Borrowings – Bankers' acceptances	1,026
Borrowings – Term loans	1,400
Borrowings – Bank Overdraft	2,940
	<u>5,366</u>
Non-current	
Repayable after more than 12 months	
Borrowings - Term Loans	8,725
	<u>8,725</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 30 September 2016.

B12. Retained Earnings

	As at 30.09.2016 RM'000	As at 30.09.2015 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit	53,086	53,621
- Unrealised profit	617	1,407
	<u>53,703</u>	<u>55,028</u>
Less : Consolidated Adjustments	<u>(27,126)</u>	<u>(26,034)</u>
Total retained earnings	<u>26,577</u>	<u>28,994</u>

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

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 30.09.2016 RM'000	For the cumulative 9 months period ended 30.09.2016 RM'000
Profit/(Loss) for the period	156	(695)
Profit attributable to minority interest	<u>83</u>	<u>332</u>
Profit/(Loss) for the period attributable to Shareholders of the Company	<u><u>73</u></u>	<u><u>(1,027)</u></u>
Weighted average number of ordinary shares	<u><u>42,184</u></u>	<u><u>42,181</u></u>
Basic earnings per share (sen)	<u><u>0.17</u></u>	<u><u>(2.43)</u></u>

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