

SMIS Corporation Berhad

Company No. 491857 – V
(Incorporated in Malaysia)

Interim Financial Report
31 March 2018

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 2018
(unaudited)

	Note	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		43,985	45,381
Land use rights		12,064	12,818
Investment properties		383	389
Deferred tax assets		559	560
Total non-current assets		<u>56,991</u>	<u>59,148</u>
Current Assets			
Inventories		14,645	16,153
Trade and other receivables		30,277	33,233
Tax recoverable		5,110	5,112
Non current assets held for sales		493	493
Short term investment		2,009	4,320
Cash and bank balances		16,895	8,257
Total current assets		<u>69,429</u>	<u>67,568</u>
TOTAL ASSETS		<u>126,420</u>	<u>126,716</u>
EQUITY AND LIABILITIES			
Equity			
Share capital*		49,691	49,691
Reserves		15,172	17,062
Less: 2,637,000 treasury shares, at cost		(1,192)	(1,192)
Total equity attributable to the shareholders of the Company		<u>63,671</u>	<u>65,561</u>
Non-controlling interest		13,989	11,209
Total equity		<u>77,660</u>	<u>76,770</u>
Non-current liabilities			
Loan and borrowings	B8	9,839	10,394
Deferred tax liabilities		191	191
Total non-current liabilities		<u>10,030</u>	<u>10,585</u>
Current liabilities			
Trade and other payables		22,878	23,114
Loan and borrowings	B8	15,818	16,216
Tax payable		34	31
Total current liabilities		<u>38,730</u>	<u>39,361</u>
Total liabilities		48,760	49,946
Total equity and liabilities		<u>126,420</u>	<u>126,716</u>
Net assets per share (RM)		1.42	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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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the 3 months period ended 31 March 2018 (unaudited)

	Note	3 months period ended 31 March		3 months period ended 31 March	
		2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Continuing operations					
Revenue		32,377	34,024	32,377	34,024
Cost of sale		(27,651)	(29,596)	(27,651)	(29,596)
Gross profit		4,726	4,428	4,726	4,428
Operating expenses		(5,341)	(4,828)	(5,341)	(4,828)
Other operating income		434	204	434	204
Operating (loss)/profit		(181)	(196)	(181)	(196)
Finance costs		(331)	(115)	(331)	(115)
Interest income		26	29	26	29
(Loss)/profit before taxation		(486)	(282)	(486)	(282)
Tax (expense)/income	B5	-	25	-	25
(Loss)/profit after taxation from continuing operations, net of tax		(486)	(257)	(486)	(257)
(Loss)/profit from discontinued operation, net of tax		(256)	(636)	(256)	(636)
(Loss)/profit for the period		(742)	(893)	(742)	(893)
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		(768)	(88)	(768)	(88)
Other comprehensive (expense)/income for the period, net of tax		(768)	(88)	(768)	(88)
Total comprehensive (expense)/income for the period		(1,510)	(981)	(1,510)	(981)
(Loss)/profit attributable to:					
Owners of the Company					
- From continuing operations		(874)	(128)	(874)	(128)
- From discontinued operation		(247)	(634)	(247)	(634)
		(1,121)	(762)	(1,121)	(762)
Non-controlling interests		379	(131)	379	(131)
(Loss)/profit for the period		(742)	(893)	(742)	(893)
Total comprehensive (expense)/income attributable to:					
Owners of the Company					
- From continuing operations		(1,643)	(221)	(1,643)	(221)
- From discontinued operation		(247)	(634)	(247)	(634)
		(1,890)	(855)	(1,890)	(855)
Non-controlling interests		380	(126)	380	(126)
Total comprehensive (expense)/income for the period		(1,510)	(981)	(1,510)	(981)
Basic earnings per ordinary share (sen)					
- From continuing operations		(2.07)	(0.30)	(2.07)	(0.30)
- From discontinued operation		(0.59)	(1.50)	(0.59)	(1.50)
	B11	(2.66)	(1.80)	(2.66)	(1.80)
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 3 months period ended 31 March 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	-	-	-	(769)	-	(769)	1	(768)
Total comprehensive (expense)/income for the financial period	-	-	-	(769)	-	(769)	1	(768)
(Loss)/profit from discontinued operation, net of tax	-	-	-	-	(247)	(247)	(9)	(256)
(Loss) net of tax for the period from continuing operations	-	-	-	-	(874)	(874)	388	(486)
Total comprehensive (expense)/income for the financial period	-	-	-	(769)	(1,121)	(1,890)	380	(1,510)
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 31 March 2018	49,691	(1,192)	-	(1,175)	16,347	63,671	13,989	77,660
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)	4,891	(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 3 months period ended 31 March 2018
(unaudited)

	3 months period ended 31 March 2018 RM'000	3 months period ended 31 March 2017 RM'000
Cash Flows From Operating Activities		
Loss before tax	(742)	(918)
Adjustment for non-cash items:-		
Non cash item arising from property, plant and equipment	1,658	1,720
Unrealised currency exchange loss	1,268	(101)
Interest income	(26)	(29)
Interest expense	345	215
Operating profit before working capital changes	2,503	887
Changes in working capital:-		
Inventories	1,508	(257)
Trade and other receivables	1,027	(862)
Trade and other payables	185	(2,935)
Cash generated from/(used in) operations	5,223	(3,167)
Interest paid	(11)	(215)
Tax refund	-	50
Tax paid	5	(238)
Net cash generated from/(used in) operating activities	5,217	(3,570)
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment (i)	(390)	(747)
Interest received	26	29
Proceeds from disposal of property, plant and equipment	27	7
Net cash used in investing activities	(337)	(711)
Cash Flows From Financing Activities		
Proceeds from issuance of shares to MI	2,400	-
Net drawdown/(repayment) of Term Loans	-	319
Net drawdown/(repayment) of other borrowings	(400)	(190)
Interest paid	(333)	-
Net cash generated from financing activities	1,667	129
Exchange rate fluctuation reserve	334	(99)
Net decrease in cash and cash equivalents	6,881	(4,251)
Cash and cash equivalents at 1 January	12,023	16,265
Cash and cash equivalents at 31 March @	18,904	12,014
@ Cash and cash equivalents comprise the following balance sheet amounts:-		
Short term investments	2,009	3,152
Deposits placed with licensed banks	-	1,221
Cash and bank balances	16,895	9,948
Bank overdrafts	-	(2,307)
	18,904	12,014

(i) For the 3 months period ended 31 March 2018, the Group acquired property, plant and equipment amounting to RM 501,431 of which RM 110,990 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 31 March 2018

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 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 121,096 new registrations for the quarter ended 31 March 2018, which represents an 5.05% decrease as compared to 127,533 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.

A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 March 2018

A9 Segmental reporting

Segmental analysis of the results and assets employed for the 3 months period ended 31 March 2018:

Business Segments	Automotive Parts RM'000	Machinery Parts RM'000	Plastic RM'000	Others RM'000	Consolidated RM'000
Revenue from external customers	29,249	3,128	-	-	32,377
Segment results	5	271	(139)	(318)	(181)
Interest income					26
Financing costs					(331)
Loss before taxation					(486)
Tax expenses					-
Loss from continuing operations, net of tax					(486)
Loss from discontinued operation, net of tax					(256)
Loss after taxation for the period					(742)
Translation reserve					(768)
Total comprehensive expense for the period					(1,510)
Segment assets	91,460	14,681	7,359	12,427	125,927
Non Current assets held for sales			493		493
Total assets					126,420
Segment liabilities	29,631	1,121	3,811	14,197	48,760
Total liabilities					48,760
Capital expenditure	501	-	-	-	501
Depreciation and amortisation	1,559	37	57	-	1,653
Other than depreciation and amortisation	16	-	-	-	16

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

Plaspoint Sdn. Bhd. ("PPSB"), a 99.86%-owned subsidiary of Exsilio Pte. Ltd., which in turn is a 96.67%-owned subsidiary of SMIS, had ceased its business operations of manufacturing, reproducing, developing and dealing in all kinds of plastics, resins and their wastes with effect from 22 February 2018 ("the Cessation"). The Cessation will involve closure of the plastic resins manufacturing plant and ceasing all business activities for trading of plastics, resins and their waste and the disposal of all assets of PPSB at a later stage. The Cessation is expected to reduce losses for the Group.

Other than the above, there are no items, transactions or events of a material and unusual nature which have arisen since 31 March 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.

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A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 March 2018

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 31.3.2018 RM'000	As at 31.3.2017 RM'000
Plant and equipment Contracted but not provided for the financial statements	289	280

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		
	31.03.2018 MYR'000	31.03.2017 MYR'000 Restated	MYR'000	%	31.03.2018 MYR'000	31.03.2017 MYR'000 Restated	MYR'000	%
Revenue	32,377	34,024	(1,647)	(4.8)	32,377	34,024	(1,647)	(4.8)
Gross profit	4,726	4,428	298	6.7	4,726	4,428	298	6.7
(Loss)/profit before interest and tax	(181)	(196)	15	(7.7)	(181)	(196)	15	(7.7)
(Loss)/profit before tax	(486)	(282)	(204)	72.3	(486)	(282)	(204)	72.3
(Loss)/profit after taxation from continuing operations	(486)	(257)	(229)	89.1	(486)	(257)	(229)	89.1
(Loss)/profit after taxation from discontinued operation	(256)	(636)	380	(59.7)	(256)	(636)	380	(59.7)
(Loss)/profit attributable to the owners of the company	(1,121)	(762)	(359)	47.1	(1,121)	(762)	(359)	47.1

The Group reported revenue of MYR32.4m and profit before tax of MYR0.2m for the current quarter compared to revenue of MYR34.0m and loss before tax of MYR0.2m against the same quarter last year.

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

Automotive parts

Revenue for the carpet products was MYR18.4m for Q1 2018; a reduction of MYR1.2m or 6.3% against the corresponding period last year. Sales to Perodua dropped by MYR0.9m as the company did not secure supply for the new Myvi. Sales to Proton and Mitsubishi was also lower by MYR0.6m and MYR0.5m respectively. Gains made from increased turnover from Mazda of MYR0.7m was not enough to off set the decline from the other brands.

Sales of braking products was MYR9.5m for Q1 2018; a reduction of MYR1.7m or 14.9% against the corresponding period last year. Sales to Perodua went down by MYR1.0m as the company did not secure supply for the new Myvi. Volumes to Proton was lower by MYR0.5m.

Machinery parts

Revenue for the segment was MYR3.1m for Q1 2018; an improvement of MYR0.3m or 12.5% against the corresponding period last year. The increase is mainly due to increased Crude Price Oil ("CPO") export and expectation of increase in Q2 compared to conditions in 2017.

B2 Variation of results against preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes	
	31.03.2018 RM'000	31.12.2017 RM'000	RM'000	%
Revenue	32,377	31,604	773	2.4
Gross profit	4,726	5,634	(908)	(16.1)
Loss before interest and tax	(181)	557	(738)	(132.5)
Loss before tax	(486)	(81)	(405)	500.0
(Loss)/profit after taxation from continuing operations	(486)	(314)	(172)	54.8
(Loss)/profit after taxation from discontinued operation	(256)	(974)	718	(73.7)
Loss attributable to the owners of the company	(1,121)	(879)	(242)	27.5

The Group's revenue for the reporting period recorded a 2.4% increase in comparison to the immediate preceding quarter.

Automotive parts

Turnover arising from carpet products for the reporting period was MYR18.4m; a dropped of MYR0.7m or 3.8% against the preceding quarter. Sales to Honda, Proton, Mazda and Perodua declined by MYR0.7m, MYR0.3m, MYR0.3m and MYR0.2m respectively. Only sales to Mitsubishi registered an improvement of MYR0.4m.

Revenue from the braking products for the reporting period was MYR9.5m; an improvement of MYR0.1m or 1.3% against the preceding quarter.

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 a revenue of MYR3.1m for the period; an increase of MYR0.3m or 12.5%. This is mainly contributed by export sales to Indonesia as market conditions improve.

B3 Prospects for 2018

Automotive parts

MAA industry forecast for 2018 is as follows:

Market segment	2018	2017	Variance	
	Forecast	Actual	Units	%
Passenger vehicles	526,500	514,679	11,821	2.3
Commercial vehicles	63,500	61,956	1,544	2.5
Total vehicles	590,000	576,635	13,365	2.3

Based on the above, the local automotive parts market is expected to be inline with the industry forecast.

Machinery parts

Whilst price competition remains high the company expects to see an increase in activity due to seasonal peak period for CPO production and the projected growth of 3% from both local and Indonesia palm oil producers.

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 2018.

B5 Taxation

	3 months period ended		Financial period ended	
	31.3.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Income tax (expenses)/income				
- Current year	-	(6)	-	(6)
- Prior year	-	-	-	-
Deferred tax				
- Origination and reversal of temporary differences	-	31	-	31
	-	25	-	25

B6 Status of corporate proposals announced

On 28 April 2017, PT Grand Ventures Hartamas ("PT GVH"), an indirect wholly-owned subsidiary of the Company had entered into a Land Purchase and Sale Agreement (the "Agreement") with PT Kawasan Industri Terpadu Indonesia China ("PT KITIC") to purchase a parcel of land in Kawasan Industri Terpadu Indonesia China Lot 70, Kota Deltamas, Cikarang Pusat, Bekasi 17530, West Java, Indonesia (the "Land"). The Land measures approximately 16,186 square meters and a purchase consideration of IDR36,499,430,000 only (equivalent to approximately RM11,935,313) (IDR = Indonesia Rupiah), inclusive of a value added tax of 10%, subject to the terms and conditions as stipulated in the Agreement.

Other than the above, there are no corporate proposals announced or outstanding for the current quarter ended 31 March 2018.

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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Interest income	26	29	26	29
Other income including investment income	478	93	478	93
Interest expenses	(345)	(215)	(345)	(215)
Depreciation and amortisation	(1,653)	(1,718)	(1,653)	(1,718)
Development cost	(173)	(258)	(173)	(258)
Net foreign exchange loss	(1,481)	(21)	(1,481)	(21)

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 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 31 March 2018		
	Long term	Short term	Total
	RM'000	RM'000	RM'000
Secured:-			
Bankers' acceptance	-	-	-
Bank overdraft	-	-	-
Revolving credit	-	13,954	13,954
Term loans	9,839	1,864	11,703
	<u>9,839</u>	<u>15,818</u>	<u>25,657</u>
	As at 31 March 2017		
	Long term	Short term	Total
	RM'000	RM'000	RM'000
Secured:-			
Bankers' acceptance	-	1,779	1,779
Bank overdraft	-	2,307	2,307
Revolving credit	-	-	-
Term loans	11,647	1,650	13,297
	<u>11,647</u>	<u>5,736</u>	<u>17,383</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 31 March 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	For the
	quarter	cumulative
	ended	ended
	31.03.2018	31.03.2018
	RM'000	RM'000
(Loss)/profit attributable to Owners of the Company :		
From continuing operations	(874)	(874)
From discontinued operation	(247)	(247)
	<u>(1,121)</u>	<u>(1,121)</u>
Profit/(Loss) attributable to minority interest	379	379
Loss for the period	<u>(742)</u>	<u>(742)</u>
Weighted average number of ordinary shares	<u>42,163</u>	<u>42,163</u>
Basic earnings per share (sen)	<u>(2.07)</u>	<u>(2.07)</u>