

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

Interim Financial Report  
31 December 2016

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

**Condensed Consolidated Statement of Financial Position as at 31 December 2016**  
(unaudited)

	Note	As at 31 December 2016 RM'000	As at 31 December 2015 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		50,855	34,684
Investment properties		411	433
Deferred tax assets		680	1,235
<b>Total non current assets</b>		<u>51,946</u>	<u>36,352</u>
<b>Current assets</b>			
Trade and other receivables		32,719	31,113
Prepayments		1,135	2,545
Inventories		19,133	18,055
Tax recoverable		4,962	2,705
Cash and bank balances		18,884	26,388
<b>Total current assets</b>		<u>76,833</u>	<u>80,806</u>
<b>TOTAL ASSETS</b>		<u>128,779</u>	<u>117,158</u>
<b>Equity</b>			
Share capital		44,800	44,800
Reserves		29,871	33,902
Less: 2,631,100 treasury shares, at cost		(1,188)	(1,182)
Total equity attributable to the shareholders of the Company		73,483	77,520
Non-controlling interests		10,463	7,962
<b>Total equity</b>		<u>83,946</u>	<u>85,482</u>
<b>Non-current liabilities</b>			
Loans and borrowings	B8	11,837	1,960
Other financial liabilities		-	23
Deferred tax liabilities		198	814
<b>Total non current liabilities</b>		<u>12,035</u>	<u>2,797</u>
<b>Current liabilities</b>			
Loans and borrowings	B8	5,875	4,089
Amount owing to a related company	B9	614	-
Trade and other payables		26,288	24,741
Tax payable		21	49
<b>Total current liabilities</b>		<u>32,798</u>	<u>28,879</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>128,779</u>	<u>117,158</u>
Net assets per share (RM)		1.64	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**  
**SMIS Corporation Berhad**  
(Company No. 491857-V)  
(Incorporated in Malaysia)  
**and its subsidiaries**

**Condensed Consolidated Statement of Comprehensive Income for the 12 months period ended 31 December 2016**  
(unaudited)

	Note	3 months period ended 31 December		12 months period ended 31 December	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Revenue</b>		37,478	35,756	139,778	143,267
Cost of sales		(34,459)	(29,850)	(120,851)	(121,414)
<b>Gross profit</b>		3,019	5,906	18,927	21,853
Operating expenses		(5,861)	(6,051)	(22,105)	(20,992)
Other operating income		653	171	978	2,095
<b>Operating profit / ( loss )</b>		(2,189)	26	(2,200)	2,956
Financing costs		(233)	(87)	(744)	(515)
Interest income		78	54	203	156
<b>Profit / ( Loss ) before taxation</b>		(2,344)	(7)	(2,741)	2,597
Tax expense	<b>B5</b>	87	(81)	(211)	(1,209)
<b>Profit / ( Loss ) after taxation</b>		(2,257)	(88)	(2,952)	1,388
<b>Other comprehensive income, net of tax</b>					
<b>Item that will not be reclassified</b>					
<b>subsequently to profit or loss</b>					
Remeasurement of financial liabilities		23	22	23	22
Foreign currency translation differences for foreign operations		100	(170)	(21)	73
<b>Other comprehensive income for the period, net of tax</b>		123	(148)	2	95
<b>Total comprehensive income for the period</b>		(2,134)	(236)	(2,950)	1,483
<b>Profit / ( Loss ) attributable to:</b>					
Owners of the Company		(1,960)	(357)	(2,987)	492
Non-controlling interests		(297)	269	35	896
<b>Profit / ( Loss ) for the period</b>		(2,257)	(88)	(2,952)	1,388
<b>Total comprehensive income attributable to :</b>					
Owners of the Company		(1,840)	(459)	(2,976)	625
Non-controlling interests		(294)	223	26	858
<b>Total comprehensive income for the period</b>		(2,134)	(236)	(2,950)	1,483
Basic earnings per ordinary share (sen)	<b>B12</b>	(4.65)	(0.85)	(7.08)	1.17
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.

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

**Condensed Consolidated Statement of Changes in Equity for the 12 months period ended 31 December 2016**  
(unaudited)

	← Attributable to the owners of the Company →						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		
<b>At 1 January 2016</b>	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
Remeasurement of financial liability					23	23	-	23
Foreign exchange translation reserve	-	-	-	(12)	-	(12)	(9)	(21)
Total other comprehensive income for the financial period	-	-	-	(12)	23	11	(9)	2
( Loss ) / Profit net of tax for the period	-	-	-	-	(2,987)	(2,987)	35	(2,952)
<b>Total comprehensive income for the period</b>	-	-	-	(12)	(2,964)	(2,976)	26	(2,950)
Contributions by and distribution to owners of the Company	-	-	-	-	-	-	-	-
- Purchase of own shares	-	(6)	-	-	-	(6)	-	(6)
- Dividends to owners of the Company	-	-	-	-	(1,055)	(1,055)	-	(1,055)
Total transaction with owners of the Company	-	(6)	-	-	(1,055)	(1,061)	-	(1,061)
<b>At 31 December 2016</b>	<u>44,800</u>	<u>(1,188)</u>	<u>4,891</u>	<u>340</u>	<u>24,640</u>	<u>73,483</u>	<u>10,463</u>	<u>83,946</u>
								-
<b>At 1 January 2015</b>	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
<b>Total comprehensive income for the financial year</b>	-	-	-	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
<b>At 31 December 2015</b>	<u>44,800</u>	<u>(1,182)</u>	<u>4,891</u>	<u>352</u>	<u>28,659</u>	<u>77,520</u>	<u>7,962</u>	<u>85,482</u>

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 12 months period ended 31 December 2016**  
(unaudited)

	For the 12 months period ended 31 December 2016 RM'000	For the 12 months period ended 31 December 2015 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation from operations	(2,741)	2,597
<b>Adjustment for non-cash items:</b>		
Impairment loss on trade and other receivables	157	49
Impairment loss on intangible assets	-	710
Inventories written down	-	388
Reversal of inventories written down	-	(20)
Reversal of provision of warranty	-	(288)
Allowance for slow moving stocks	142	-
Depreciation of investment properties	22	22
Depreciation of plant and equipment	7,800	5,427
( Gain ) / Loss on disposal of property, plant and equipment	146	(8)
Amortisation of deferred assets	15	-
Amortisation of prepaid lease payments	20	20
Interest paid	683	428
Interest income	(203)	(194)
Unrealised foreign exchange (gain) / loss	(334)	(713)
<b>Operating profit before changes in working capital</b>	5,707	8,418
<b>Changes in working capital:</b>		
Inventories	(1,219)	(2,264)
Receivables	79	11,382
Payables	1,711	(1,148)
<b>Cash (used in) / generated from operations</b>	6,278	16,388
Tax paid	(2,627)	(3,470)
Tax refund	70	609
Interest paid	(683)	(428)
<b>Net cash (used in) / generated from operating activities</b>	3,038	13,099
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(23,846)	(6,682)
Proceeds from disposal of property, plant and equipment	53	8
Interest received	203	194
<b>Net cash used in investing activities</b>	(23,590)	(6,480)
<b>Cash flows from financing activities</b>		
Acquisition of non-controlling interests	-	1,223
Purchase of treasury share	(6)	(5)
Proceed from issuance of shares to MI	2,475	-
Drawdown / (Repayment) of other borrowing	74	(464)
Drawdown / (Repayment) of term loan	11,391	(132)
Dividend Paid	(1,055)	(1,055)
<b>Net cash used in financing activities</b>	12,879	(433)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(7,673)	6,186
<b>Exchange rate fluctuaction reserve</b>	(17)	94
<b>Cash and cash equivalents at 1 January</b>	23,809	17,529
<b>Cash and cash equivalents at 31 December</b>	@ 16,119	23,809
@ Cash and cash equivalents comprise the following balance sheet amounts:		
Short term investments	4,343	7,991
Deposits placed with licensed banks	1,221	1,186
Cash and bank balances	13,320	17,211
Bank overdrafts	(2,765)	(2,579)
	16,119	23,809

(i)

For the 12 months period ended 31 December 2016, the Group acquired property, plant and equipment amounting to RM 24,297,036 of which RM 450,182 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 31 December 2016**

**A1 Basis of preparation**

This interim financial report is based on the unaudited financial statements for the quarter ended 31 December 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**

The Malaysian Automotive Association (~~MAA~~), the passenger vehicles sector recorded 143,620 new passenger vehicles registrations for the quarter ended 31 December 2016, which represents a 10% decrease as compared to 159,582 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 purchased a total of 5,000 Ordinary Shares of RM1.00 each from the open market for a total consideration of RM3,206.41. The buy-back transaction was financed by internally generated funds. The shares purchased are held as treasury shares.

Month	No. of shares purchased and retained as treasury shares	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration paid (RM)
Oct . Dec 2016	5,000	0.63	0.64	0.635	3,206.41

Aside from the above, there were no new debts and equity securities issued during the quarter. During the quarter under review, the Company did not purchase any ordinary shares from the open market.

**A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 December 2016**

**A9 Segmental reporting**

Segmental analysis of the results and assets employed for the 12 months period ended 31 December 2016:

<i>Business Segments</i>	Automotive Parts RM000	Machinery Parts RM000	Plastic RM000	Others RM000	Consolidated RM000
Revenue from external customers	122,303	11,302	6,173	-	139,778
Segment results	213	(222)	(1,656)	(535)	(2,200)
Interest income					203
Financing costs					(744)
Loss before taxation					(2,741)
Tax expense					(211)
Loss after taxation					(2,952)
Remeasurement of financial liability					23
Translation reserve					(21)
Total comprehensive income for the period					(2,950)
<i>Business Segments</i>	Automotive Parts RM000	Machinery Parts RM000	Plastic RM000	Others RM000	Consolidated RM000
<b>Segment assets</b>	99,857	15,561	11,995	1,366	128,779
<b>Total assets</b>					128,779
<b>Segment liabilities</b>	36,458	987	7,055	333	44,833
<b>Total liabilities</b>					44,833
Capital expenditure	24,111	105	81	-	24,297
Depreciation of investment properties	6	16	-	-	22
Depreciation of plant and equipment	6,737	345	718	-	7,800

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 December 2016 to the date of this announcement.

**A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 December 2016**

---

**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:-

The Liquidators of Cleon Technology Sdn. Bhd., a 66.25%-owned subsidiary of the Company (~~%(C)leon~~) had on 7 September 2016 convened a Final Meeting pursuant to Section 272(1) of the Companies Act, 1965. Accordingly, Cleon shall be dissolved on the expiration of three (3) months after the lodgement date of the Returns relating to the Final Meeting with the Companies Commission of Malaysia.

As at the date of this announcement, Cleon has been dissolved by the Registrar.

**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 31.12.2016	As at 31.12.2015
	RM'000	RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>153</u>	<u>6.236</u>



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

**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 31.12.2016	quarter ended 31.12.2015	RM'000	%
	RM'000	RM'000	RM'000	%
Automotive parts	32,799	31,139	1,660	5.33%
Machinery parts	2,747	2,412	335	13.88%
Plastic	1,932	2,205	(273)	(12.38%)
	<u>37,478</u>	<u>35,756</u>	<u>1,722</u>	<u>4.81%</u>
<b>PBT by segment</b>				
Automotive parts	(1,571)	1,257	(2,828)	(224.98%)
Machinery parts	(90)	(553)	463	83.72%
Plastic	(3)	251	(254)	(101.19%)
	<u>(1,664)</u>	<u>955</u>	<u>(2,619)</u>	<u>(274.24%)</u>

**Automotive parts**

Turnover for Carpet products in Q4<sup>16</sup> was RM22.59m vs RM20.65m in Q4<sup>15</sup>. Margins were squeezed due to increase in material cost due to the weakening of the Malaysian Ringgit against the US Dollar. The loss for the period was also partially due to depreciation charge amounting to RM1.39m arising from the new Sendayan Plant.

Turnover for Braking products remained with no significant changes from the corresponding period in 2015 (Q4<sup>16</sup> : RM10.20m vs Q4<sup>15</sup> : RM10.48m). However; due to product mix and production trials for new parts, GP realization was lower.

**Machinery parts**

Revenue improved in comparison to Q4<sup>15</sup> and reduction in losses was a result of lower operating cost.

**Plastic**

Turnover was lower as selling prices fell in line with the fall of oil prices the last quarter of 2016.

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

	Revenue		Profit before Tax	
	Quarter Ended 31.12.2016 RM'000	Quarter Ended 30.09.2016 RM'000	Quarter Ended 31.12.2016 RM'000	Quarter Ended 30.09.2016 RM'000
<b>Consolidated total</b>	<b>37,478</b>	<b>34,649</b>	<b>(1,483)</b>	<b>407</b>
<b>Business Segment:</b>				
Automotive parts	32,799	30,611	(1,390)	684
Machinery parts	2,747	2,392	(90)	(41)
Plastic Resin	1,932	1,646	(3)	(236)

The Group’s revenue for the reporting period recorded an 8.16% increase in comparison to the preceding quarter.

**Automotive parts**

Turnover improved over the preceding quarter, however; with increase in materials cost, depreciation charge, product mix and production trials for new parts (as per note B1 above) the segment suffered a loss for the reporting period.

**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**

Whilst turnover improved over the preceding period, CPO production remains suppressed and the sector still sluggish.

**Plastic**

Even though margins were thinner (as per note B1 above) the segment to narrow the loss for the period as compared to the preceding quarter.

**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**

Selling prices showed signs of recovery towards the end of the reporting quarter the company expects prices will hold or hover within that range.

**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 December 2016.

**B5. Taxation**

	3 months period ended		Financial period ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	413	(476)	(256)	(1,439)
- Prior year	64	713	(15)	713
	<u>477</u>	<u>237</u>	<u>(271)</u>	<u>(726)</u>
Deferred tax				
- Origination and reversal of temporary differences	(390)	(165)	60	(304)
- Prior year	-	(153)	-	(179)
	<u>87</u>	<u>(81)</u>	<u>(211)</u>	<u>(1,209)</u>

The Group's effective tax rate for the current quarter was higher than the statutory tax rate of 24% (31.12.2015 : 25%) mainly due to certain expenses not being deductible for tax purposes and losses incurred in the Plastic segment.

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

**B6. Status of corporate proposals announced**

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

**B7. Notes to the Statement of Comprehensive Income**

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

	3 months period ended		Financial year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Interest income	78	54	203	156
Other income including investment income	118	265*	443	640*
Interest expenses	(248)	(73)	(683)	(428)
Depreciation and amortization	(3,413)	(1,769)	(7,829)	(5,449)
Development cost	(76)	(219)	(551)	(1,071)
Net foreign exchange gain / ( loss )	744	(105)	(119)	1,255

*\*Comparative figures for other income including investment income had been revised due to reclassification of realized and unrealized foreign 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 31 December 2016.

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

	31.12.2016
	RM'000
<b>Current</b>	Secured
Borrowings . Bankers' acceptances	1,460
Borrowings . Term loans	1,650
Borrowings . Bank Overdraft	2,765
	<u>5,875</u>
<b>Non-current</b>	
Repayable after more than 12 months	
Borrowings - Term Loans	11,837
	<u>11,837</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**

No decision has been made on dividend payment for the period ended 31 December 2016.

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

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

**B12. Retained Earnings**

	As at 31.12.2016	As at 31.12.2015
	RM'000	RM'000
Total retained earnings of the Company and subsidiaries :		
- Realised profit	50,629	54,309
- Unrealised profit	816	1,144
	<u>51,445</u>	<u>55,453</u>
Less : Consolidated Adjustments	(26,805)	(26,794)
Total retained earnings	<u><u>24,640</u></u>	<u><u>28,659</u></u>

**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	For the cumulative 12
	31.12.2016	months period ended
	RM'000	31.12.2016
		RM'000
Profit/(Loss) for the period	(2,257)	(2,952)
Profit attributable to minority interest	(297)	35
Profit/(Loss) for the period attributable to Shareholders of the Company	<u>(1,960)</u>	<u>(2,987)</u>
Weighted average number of ordinary shares	<u>42,171</u>	<u>42,175</u>
Basic earnings per share (sen)	<u>(4.65)</u>	<u>(7.08)</u>