

SMIS Corporation Berhad

(Company No. 491857-V)
(Incorporated in Malaysia)
and its subsidiaries

A Notes to Interim Financial Report on Consolidated Results For the Year Ended 31 December 2011

A1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134₂₀₀₄, Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB") and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2010.

The following notes explain the events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010.

A2 Changes in Accounting Policies

The significant policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2010 was not subject to any qualifications.

A4 Seasonal or cyclical factors

As reported by the Malaysian Automotive Association ("MAA"), the passenger vehicles sector recorded 132,437 new passenger vehicles registrations for the quarter ended 31 December 2011, which represents a 1.27% decrease compared to 134,144 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.

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A7 Debts and equity securities

During the quarter under review, the Company purchased a total of 4,000 ordinary shares of RM1.00 each from the open market for a total consideration of RM2,043. The buy-back transactions were 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 2011	4,000	0.50	0.50	0.50	2,043

Aside from the above, there were no new debts and equity securities issued during the quarter.

A8 Dividend

There were no dividends paid during the quarter under review.

A9 Segmental reporting

Segmental analysis of the results and assets employed for the 12 months year ended 31 December 2011:

<i>Business segments</i>	Automotive Parts RM'000	Machinery Parts RM'000	Plastic RM'000	Discontinued Operation RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from external customers	87,020	18,062	4,931	-	(3)	110,010
Segment results	8,241	(4,086)	(1,137)	(8)	-	3,010
Unallocated expense						(294)
Interest income						296
Financing costs						(197)
Profit before taxation						2,815
Tax expense						(2,683)
Profit after taxation						132
Fair value reserve						83
Minority interest						(589)
Profit the period						(374)

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A Notes to Interim Financial Report on Consolidated Results For the Year Ended 31 December 2011**A9 Segmental reporting (continued)**

<i>Business segments</i>	Automotive Parts	Machinery Parts	Plastic	Discontinued Operation	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	66,556	18,765	9,620	50	(1,070)	93,921
Unallocated assets						3,089
Total assets						<u>97,010</u>
Segment liabilities	19,044	2,760	1,283	280	(4,597)	18,770
Unallocated liabilities						1,194
Total liabilities						<u>19,964</u>

<i>Business segments</i>	Automotive Parts	Machinery Parts	Plastic	Discontinued Operation	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Capital expenditure	4,709	106	2,677	-	-	7,492
Depreciation of investment properties	6	30	-	-	-	36
Depreciation of property, plant and equipment	3,545	215	91	-	-	3,851

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.

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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, which would substantially affect the results of the Group for the period between 31 December 2010 and 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 for the following:

On 27th October 2011, Exsilio Pte Ltd ("Exsilio"), a subsidiary of the Company and Robert Koong Yin Leong (currently the Financial Controller of the Company) has incorporated a company namely PT. Zusma Plastics in Republic of Indonesia, both by subscribing for 1,500 Ordinary Shares of Rp8,544,000 or USD1,000 each at par in the share capital of PT. Zusma Plastics, for a total cash consideration of Rp12,816,000,000 or USD1,500,000 (equivalent to RM4,725,000 based on the exchange rate as at 10 October 2011 of USD1.00 : RM3.15), details of which are set out below :

- Subscription of 1,499 Ordinary Shares of Rp8,544,000 or USD1,000 each at par by Exsilio, for a total consideration of Rp12,807,456,000 or USD1,499,000 (equivalent to RM4,721,850, representing 99.93% of the total issued paid-up share capital of PT. Zusma Plastics, thereby resulting in PT. Zusma Plastics being a subsidiary of Exsilio, which in turn is a wholly-owned subsidiary of the Company; and
- Subscription of 1 Ordinary Share of Rp8,544,000 or USD1,000 at par by Mr Robert Koong Yin Leong, for a total consideration of Rp8,544,000 or USD1,000 (equivalent to RM3,150), representing 0.07% of the total issued and paid-up share capital of PT. Zusma Plastics.

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 31.12.2011 RM'000	As at 31.12.2010 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>1,167</u>	<u>741</u>

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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 :-

	For the quarter ended 31.12.2011 RM'000	For the quarter ended 31.12.2010 RM'000	Increase / (Decrease)	
			RM'000	%
Revenue by segment				
Automotive parts	21,103	20,467	636	3.11%
Machinery parts	6,070	3,899	2,171	55.68%
Plastic	1,246	-	1,246	0.00%
	<u>28,419</u>	<u>24,366</u>	<u>4,053</u>	<u>16.63%</u>

Revenue recorded was a marginal 16.63% increase for the quarter ended 31 December 2011, in comparison to the previous corresponding period. The Automotive Parts recorded 3.11% increase while the Machinery Parts recorded 55.68 % growth in terms of sales revenue.

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

	For the cumulative 12 months period ended 31.12.2011 RM'000	For the cumulative 12 months period ended 31.12.2010 RM'000	Increase / (Decrease)	
			RM'000	%
Revenue by segment				
Automotive parts	87,020	82,359	4,661	5.66%
Machinery parts	18,059	15,127	2,932	19.38%
Plastic	4,931	-	4,931	0.00%
	<u>110,010</u>	<u>97,486</u>	<u>12,524</u>	<u>12.85%</u>

A large portion of the Group's revenue is derived from the automotive parts segment. The increase in revenue for 2011 as compared to 2010 was due to the Group securing business for some new models and also supply of new products to its existing customers.

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**B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”)
Main Market Listing Requirements**
B2. Variation of results against preceding quarter

	3 months ended 30.09.2011 RM'000	3 months ended 31.12.2011 RM'000	Variance	
			RM'000	%
Revenue	32,079	28,419	(3,660)	(11.41%)
Profit before tax (PBT)	1,499	(1,492)	(2,991)	(199.53%)

Machinery segment

The Company incurred RM2.0 million in the Q4 and RM5.0m for the year ended 31 December 2011 on development cost on a project.

Plastic segment

This is a new segment and the Company is still in its early stages of product and market development, thus the RM1.1 million loss for the period ended 31 December 2011.

B3. Prospects for 2012

Malaysian Automotive Association (MAA) industry forecast for 2012 is as follows:

Market segment	2012	2011	Variance	
	Forecast	Actual	Units	%
Passenger vehicles	547,000	535,113	11,887	2.2%
Commercial vehicles	68,000	65,010	2,990	4.4%
Total vehicles	615,000	600,123	14,877	2.4%

In view of the above, the Group expects its Automotive Parts segment's performance to be relatively stable.

The Machinery parts segment will grow further as it breaks into new markets.

As it will be its first full year of operation, the Plastic segment is expected to perform significantly better in 2012 and start contributing to the Group's bottom line.

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 year ending 31 December 2012.

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**B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”)
Main Market Listing Requirements****B5. Taxation**

Taxation comprises:

	For the quarter ended 31.12.2011 RM'000	For the cumulative 12 months period ended 31.12.2011 RM'000
Income tax	<u>(740)</u>	<u>(2,683)</u>

B6. Notes to the Statement of Comprehensive Income

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

	3 months ended		Financial year ended	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Interest income	180	(159)	344	148
Other income including investment income	67	325	307	697
Interest expenses	56	7	111	18
Depreciation and amortization	1,200	1,105	3,949	3,746
Allowance for doubtful debts and bad debts written off	195	219	237	153
Development cost	2,000	219	5,000	153
Inventories written (back) / off	(357)	272	(87)	812
Gain on disposal of property, plant and equipment	(3)	-	(210)	(108)
Impairment of investment properties	317	-	317	-
Net foreign exchange (gain)/ loss	(146)	45	(205)	(46)

Other than the above, there was no gain or loss on disposal of quoted or unquoted investments, gain or loss on derivatives and exceptional items included in the results for the current quarter and financial year ended 31 December 2011.

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

B7. Group’s borrowings and debt securities

The Group had issued a bank guarantee amounting to RM251,500 for utility deposit during the year.

The Group also utilised bankers acceptance facility of RM521,000 during the year. As at 31 December 2011, it was fully repaid with remaining unutilized secured banking facilities of RM18,479,000.

There were no borrowings and debts securities outstanding/ issued during the current quarter under review.

B8. Status of corporate proposals announced

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

B9. Material litigation

There were no material litigations pending since the end of the previous financial year ended 31 December 2010 to 27 February 2012 (being the date not earlier than 7 days from the date of this announcement).

B10. Dividend

There were no dividends paid during the quarter under review.

B11. Retained Earnings

	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit / (loss)	58,572	59,325
- Unrealised profit / (loss)	174	(735)
	<u>58,746</u>	<u>58,590</u>
Less : Consolidated Adjustments	<u>(34,045)</u>	<u>(33,432)</u>
Total retained earnings	<u><u>24,701</u></u>	<u><u>25,158</u></u>

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

B12. Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the quarter and for the cumulative quarter is based on the following:

	For the quarter ended 31.12.2011 RM'000	For the cumulative 12 months period ended 31.12.2011 RM'000
Profit for the period	(2,231)	132
Profit attributable to minority interest	<u>(38)</u>	<u>589</u>
Profit for the period attributable to Shareholders of the Company	<u><u>(2,193)</u></u>	<u><u>(457)</u></u>
Weighted average number of ordinary shares	<u><u>42,232</u></u>	<u><u>39,930</u></u>
Basic earnings per share (sen)	<u><u>(5.19)</u></u>	<u><u>(1.14)</u></u>

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31 December 2011