

SMIS Corporation Berhad

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

A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 March 2012

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 2012 and has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS134, 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 2011.

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 2011.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2011 was not subject to any qualifications.

A4 Seasonal or cyclical factors

As reported by the Malaysian Automotive Association ("MAA"), the passenger vehicles sector recorded 122,837 new passenger vehicles registrations for the quarter ended 31 March 2012, which represents a 1.3.83% decrease compared to 142,545 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.

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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 RM2,719. 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)
Jan - Mar 2012	5,000	0.53	0.53	0.53	2,719

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

A9 Segmental reporting

Segmental analysis of the results and assets employed for the 3 months period ended 31 March 2012:

<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	23,379	3,766	753	-	-	27,898
Segment results	2,227	245	(722)	(2)	-	1,753
Unallocated expense						(67)
						1,681
Interest income						27
						(59)
Financing costs						
Profit before taxation						1,649
Tax expense						(615)
Profit after taxation						1,034
Fair value reserve						(23)
Translation reserve						(187)
Minority interest						(172)
Profit the period						652

A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 March 2012

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	67,301	18,241	11,772	50	(2,089)	95,275
Unallocated assets						2,926
Total assets						<u>98,201</u>
Segment liabilities	16,724	1,837	4,422	282	(4,327)	18,938
Unallocated liabilities						1,437
Total liabilities						<u>20,375</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	728	7	1	-	-	736
Depreciation of investment properties	1	6	-	-	-	7
Depreciation of property, plant and equipment	728	52	48	-	-	828

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 since 31 March 2012 to the date of this announcement.

A12 Changes in the composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 March 2012.

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 31.3.2012 RM'000	As at 31.3.2011 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>5,553</u>	<u>747</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 31.3.2012 RM'000	For the quarter ended 31.3.2011 RM'000	Increase / (Decrease)	
			RM'000	%
Revenue by segment				
Automotive parts	23,379	21,646	1,733	8.01%
Machinery parts	3,766	2,868	898	31.31%
Plastic	753	-	753	0.00%
	<u>27,898</u>	<u>24,514</u>	<u>3,384</u>	<u>13.80%</u>

The Group's revenue recorded a marginal 13.80% increase for the quarter ended 31 March 2012, in comparison to the previous corresponding period.

Automotive parts

The Automotive parts achieved 8.01% increase revenue growth due to new product sales and introduction of new models from Proton and Perodua. It is also contributed by the increase in sales to Thailand, as Japanese OEMs recover the short fall from the 2011 flood disaster.

Machinery parts

Sales revenue for Machinery parts segment has increased by 31.31% in Q1 2012. Sales in Q1 2011 was low as a result of the economic downturn in 2010 with minimal book orders carried forward to 2011. Traditionally Q1 remains weak in terms of securing book orders.

Plastic

The Plastic segment is a new start-up and is working towards establishing itself in terms of product and market development.

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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**

	For the quarter ended 31.3.2012 RM'000	For the quarter ended 31.12.2011 RM'000	Increase/ (Decrease)	
			RM'000	%
Revenue by segment				
Automotive parts	23,379	21,103	2,276	10.79%
Machinery parts	3,766	6,070	(2,304)	(37.96%)
Plastic Resin	753	1,246	(493)	(39.57%)
	<u>27,898</u>	<u>28,419</u>	<u>(521)</u>	<u>(1.83%)</u>
Profit before tax (PBT)	<u>1,649</u>	<u>1,205</u>	<u>444</u>	<u>36.85%</u>

The Group's revenue recorded a marginal 1.83% decrease for the quarter ended 31 March 2012, in comparison to the preceding quarter.

Automotive parts

Sales for this segment were low in Q4 2011 due to the flood disaster in Thailand where production of vehicles was disrupted. By Q1 2012 car manufacturers, especially Japanese OEMs were recovering the backlog. This contributed towards the 10.79% growth achieved in comparison to the preceding quarter.

Machinery parts

Strong book orders in Q4 2011 helped boost sales for Q1 2012. Most of these orders were executed in Q1 2012 with some balance to be executed in Q2 2012.

Plastic

The major customers for this segment are from the consumer electronics sector which saw an unusual lower than expected year-end sales primarily due to European financial crisis. This caused most customer to be saddled with unsold stocks; thus, contributing towards a slow start for 2012.

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

B5. Taxation

Taxation comprises:

	For the quarter ended 31.3.2012 RM'000	For the cumulative 3 months period ended 31.3.2012 RM'000
Income tax	<u>(615)</u>	<u>(615)</u>

B6. Status of corporate proposals announced

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

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**B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”)
Main Market Listing Requirements****B7. Notes to the Statement of Comprehensive Income**

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

	3 months ended 31.3.2012 RM'000	3 months ended 31.3.2011 RM'000
Interest income	27	16
Other income including investment income	141	55
Interest expenses	53	17
Depreciation and amortization	835	889
Development cost	46	41
Loss/ (Gain) on foreign exchange		
~ realised	(101)	(5)
~ unrealised	35	-

Other than the above, there was no provision for and write off of receivables, provision for and write off of inventories, impairment of assets, 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 2012.

B8. Group’s borrowings and debt securities

Total borrowings in Ringgit Malaysia (RM) as at 31 March 2012 were as follows:

	31.3.2012 RM'000
Bank borrowings (Unsecured) <u>Classified as current liabilities</u> Repayable within 12 months	
Bankers' acceptances	77,000
Overdraft	2,823,574
	<u>2,900,574</u>

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

B9. Material litigation

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

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**B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”)
Main Market Listing Requirements****B10. Dividend**

There were no dividends paid during the quarter under review.

B11. Retained Earnings

	As at 31.3.2012 RM'000	As at 31.3.2011 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit / (loss)	60,964	59,863
- Unrealised profit / (loss)	<u>(1,185)</u>	<u>(688)</u>
	59,779	59,175
Less : Consolidated Adjustments	<u>(35,416)</u>	<u>(33,764)</u>
Total retained earnings	<u><u>24,363</u></u>	<u><u>25,411</u></u>

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 31.3.2012 RM'000	For the cumulative 3 months period ended 31.3.2012 RM'000
Profit for the period	862	862
Profit attributable to minority interest	<u>172</u>	<u>172</u>
Profit for the period attributable to Shareholders of the Company	<u><u>1,034</u></u>	<u><u>1,034</u></u>
Weighted average number of ordinary shares	<u><u>42,228</u></u>	<u><u>42,228</u></u>
Basic earnings per share (sen)	<u><u>2.04</u></u>	<u><u>2.04</u></u>

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31 March 2012