

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 30 June 2012

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 June 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 143,018 new passenger vehicles registrations for the quarter ended 30 June 2012, which represents a 16.17% increase compared to 123,109 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.

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 30 June 2012

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.

A9 Segmental reporting

Segmental analysis of the results and assets employed for the 6 months period ended 30 June 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	48,558	9,664	1,033	-	(3)	59,252
Segment results	4,185	1,303	(1,557)	1	-	3,932
Unallocated expense						(169)
						3,763
Interest income						115
Financing costs						(143)
Profit before taxation						3,735
Tax expense						(1,361)
Profit after taxation						2,374
Fair value reserve						(153)
Translation reserve						(61)
Minority interest						(111)
Total comprehensive income for the period						2,049

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 30 June 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	71,794	19,013	14,483	48	(1,026)	104,312
Unallocated assets						2,201
Total assets						<u>106,513</u>
Segment liabilities	19,651	2,039	5,367	278	(3,992)	23,343
Unallocated liabilities						1,471
Total liabilities						<u>24,814</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	1,623	14	3,148	-	-	4,785
Depreciation of investment properties	3	12	-	-	-	15
Depreciation of property, plant and equipment	1,722	106	141	-	-	1,969

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.

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 30 June 2012

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 June 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 30 June 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 30.6.2012 RM'000	As at 30.6.2011 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>3,270</u>	<u>882</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 :-

	For the quarter ended 30.6.2012 RM'000	For the quarter ended 30.6.2011 RM'000	Increase / (Decrease)	
			RM'000	%
Revenue by segment				
Automotive parts	25,179	21,220	3,959	18.65%
Machinery parts	5,895	3,777	2,118	56.08%
Plastic	280	-	280	0.00%
	<u>31,354</u>	<u>24,997</u>	<u>6,357</u>	<u>25.43%</u>

The Group's revenue recorded a marginal 25.43% increase for the quarter ended 30 June 2012, in comparison to the previous corresponding period.

Automotive parts

Revenue for 2011 was lower than expected due to shortage in supplies resulting from the Japan Tsunami. Supplies have since return to normalcy in 2012. Thus, a 19% increase in revenue in this segment in comparison to the corresponding quarter in the previous year.

Machinery parts

The machinery part segment commenced 2011 with minimal book orders carried forward from 2010 as a result of the economic downturn. Revenue for 2012 has returned to pre-downturn levels. Thus, the 56% increase in revenue for the reporting quarter in comparison to corresponding quarter in the previous year.

Plastic

The plastic segment has not reached its optimum operating capacity. This is partly due to renovation works being carried out at the factory to improve efficiency, enhanced quality and increased its capacity. We expect this renovation works to be completed within the Q3 2012.

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

	Revenue		Profit before Tax	
	Quarter Ended 30.06.2012 RM'000	Quarter Ended 31.03.2012 RM'000	Quarter Ended 30.06.2012 RM'000	Quarter Ended 31.03.2012 RM'000
Consolidated total	31,354	27,898	2,086	1,649
Business Segment:				
Automotive parts	25,179	23,379	2,027	2,234
Machinery parts	5,895	3,766	1,058	243
Plastic Resin	280	753	(900)	(759)

The Group's revenue recorded a marginal 27.17% increase for the quarter ended 30 June 2012, in comparison to the preceding quarter.

Automotive parts

The segment reported an 8% increase in revenue against the preceding quarter due to contribution by the commencement of supplies of new products to Proton, Peugeot and Mazda.

Machinery parts

A push to complete all carried forward orders from 2011 within the reporting quarter helped boost revenue for this segment.

Plastic

The major customers for this segment are from the consumer electronics sector. With the current economic situation, consumer buying in USA and Europe continue to be slow. Due to poor demand, prices tumbled significantly. Plastics commodities saw an average drop of 17% quarter to quarter and the lack of supply drove the prices high and pushes the gap between recycled and prime too close to trade. This has caused imbalance in the marketplace inhibiting the segment's development programs.

With weak signs of recovery, we remain optimistically cautious on the outlook for Q3. We foresee a recovery in this segment as more manufacturing based companies are returning to South East Asia.

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
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.

For the Plastic segment, we expect the plant’s operation to be more rationalized and efficient with the completion of the factory renovations by Q3 2012. We expect more orders for 2013 as some of our development efforts starts to yield results.

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

	3 months ended		Financial year ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	844	664	1,551	1,283
- Prior year	-	-	-	-
	844	664	1,551	1,283
Deferred tax				
- Origination and reversal of temporary differences	(40)	-	(75)	0
- Prior year	(58)	-	(115)	0
	746	664	1,361	1,283

B6. Status of corporate proposals announced

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

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

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

	3 months ended		Financial year ended	
	30.6.2012 RM'000	30.6.2011 RM'000	30.6.2012 RM'000	30.6.2011 RM'000
Interest income	88	107	115	123
Other income including investment income	216	140	346	208
Interest expenses	(79)	(15)	(132)	(32)
Depreciation and amortization	(1,150)	(892)	(1,985)	(1,781)
Amortization of intangible assets	(49)	-	(98)	-
Allowance for doubtful debts and bad debts written off	(6)	-	(6)	-
Development cost	81	30	127	71
Net foreign exchange gain / (loss)	64	35	194	33

Other than the above, there was no 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 30 June 2012.

B8. Group’s borrowings and debt securities

	30.6.2012 RM'000 Secured
Current	
Borrowings - Bankers' acceptances	178
Borrowings - Bank overdraft	2,983
Borrowings - Term Loan	122
	<u>3,283</u>
Non-current	
Repayable after more than 12 months	
Borrowing - Term loan	<u>2,419</u>

Bankers Acceptance and bank overdraft are secured by corporate guarantee. Term loan is secured by a fixed charge over a subsidiary’s land and building and corporate guarantee.

The Group had issued a bank guarantee amounting to RM 251,500 for utility deposit during the period under review.

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****B9. Material litigation**

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

B10. Dividend

There were no dividends paid during the quarter under review.

B11. Retained Earnings

	As at 30.6.2012 RM'000	As at 30.6.2011 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit / (loss)	62,067	60,787
- Unrealised profit / (loss)	(897)	(671)
	<u>61,170</u>	<u>60,116</u>
Less : Consolidated Adjustments	<u>(35,406)</u>	<u>(33,858)</u>
Total retained earnings	<u><u>25,764</u></u>	<u><u>26,258</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 30.6.2012 RM'000	For the cumulative 6 months period ended 30.6.2012 RM'000
Profit for the period	1,401	2,263
(Loss) / Profit attributable to minority interest	<u>(61)</u>	<u>111</u>
Profit for the period attributable to Shareholders of the Company	<u><u>1,340</u></u>	<u><u>2,374</u></u>
Weighted average number of ordinary shares	<u><u>42,225</u></u>	<u><u>42,227</u></u>
Basic earnings per share (sen)	<u><u>3.32</u></u>	<u><u>5.36</u></u>

SMIS Corporation Berhad

Company No. 491857 – V
(Incorporated in Malaysia)

Interim Financial Report
30 June 2012