

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 March 2013

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 2013 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 2012.

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 2012.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2012 was not subject to any qualifications.

A4 Seasonal or cyclical factors

As reported by the Malaysian Automotive Association ("MAA"), the passenger vehicles sector recorded 139,689 new passenger vehicles registrations for the quarter ended 31 March 2013, which represents a 13.72% increase compared to 122,837 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 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 3 months period ended 31 March 2013:

<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	24,937	4,043	788	-	-	29,768
Segment results	2,999	(18)	(661)	-	(36)	2,284
Unallocated expense						(79)
						2,205
Interest income						32
Financing costs						(142)
Profit before taxation						2,095
Tax expense						(817)
Profit after taxation						1,278
Fair value reserve						7
Translation reserve						8
Total comprehensive income for the period						1,293

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A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 March 2013**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	72,989	19,339	12,807	41	(2,090)	103,086
Unallocated assets						6,348
Total assets						<u>109,434</u>
Segment liabilities	25,014	1,579	7,027	40	(7,924)	25,736
Unallocated liabilities						946
Total liabilities						<u>26,682</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	742	-	134	-	-	876
Depreciation of investment properties	2	4	-	-	-	6
Depreciation of property, plant and equipment	816	65	97	-	-	978

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 December 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 year ended 31 December 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 31.3.2013 RM'000	As at 31.03.2012 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>2,527</u>	<u>5,553</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 31.03.2013 RM'000	For the quarter ended 31.03.2012 RM'000	Increase / (Decrease)	
			RM'000	%
Revenue by segment				
Automotive parts	24,937	23,379	1,558	6.66%
Machinery parts	4,073	3,766	307	8.15%
Plastic	788	753	35	4.65%
	<u>29,798</u>	<u>27,898</u>	<u>1,900</u>	<u>6.81%</u>
PBT by segment				
Automotive parts	3,002	2,234	768	34.38%
Machinery parts	(16)	243	(259)	-106.58%
Plastic	(481)	(530)	(49)	9.25%
	<u>2,505</u>	<u>1,947</u>	<u>445</u>	<u>22.85%</u>

The Group's revenue recorded a marginal 6.81% increase for the quarter ended 31 March 2013, in comparison to the previous corresponding period.

Automotive parts

Revenue in Q1 2013 increased by 6.66% as a result of successful localization and supply of brake components to Perodua for the Viva model. It was also contributed by the full recovery of Honda production from the Thailand that was affected by the Q1 2012 floods.

Machinery parts

Sales revenue for Machinery parts segment experienced a slow start in Q1 2013 due to intervening holidays, namely Lunar Year. The segment recorded a lower margin for the quarter as compared to the corresponding quarter in the previous year. The decrease was primarily the result of a one-off expenditure on sales promotion and staff welfare.

Plastic

Demand in global electronics sector remains indeterminate. However; given the market condition, the Plastic segment achieved 4.65% revenue growth as a result of continuous exploring of various approach to establish other total solutions for customers, including reverse logistic to have a closed loop solution. However; the major challenges are putting wider bandwidth solutions which require a longer lead time to commercialization.

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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**

	Revenue		Profit before Tax	
	Quarter Ended 31.03.2013 RM'000	Quarter Ended 31.12.2012 RM'000	Quarter Ended 31.03.2013 RM'000	Quarter Ended 31.12.2012 RM'000
Consolidated total	29,798	27,842	2,095	(522)
Business Segment:				
Automotive parts	24,937	22,580	3,002	1,028
Machinery parts	4,073	4,923	(16)	563
Plastic Resin	788	339	(481)	(1,471)

The Group's revenue recorded a marginal 6.92% increase for the quarter ended 31 March 2013, in comparison to the preceding quarter.

Automotive parts

Sales for this segment improved as a result of ABS sales to Hyundai for the new Santa Fe model. Export to Toyota Thailand for brake components also continue to strengthen. Q1 2013 saw increased revenue due to mass production of the newly launched Subaru XV model which was introduced in December 2012. Profits also increased due to better material consumption and implementation of various cost down initiatives.

Machinery parts

Historically Q1 would be a slow start ramping up to better revenues in the subsequent quarters especially Q2 and Q4. Thus Q4 2012 saw higher revenue than in Q1 2013. The drop in profit in Q1 2013 as compared to Q4 2012 is explained in Note B1 above.

Plastic

The increase in revenue is a result of new customer sales. Selective customers were also building inventory ahead of the festivity. Cost cutting measures on resources and overheads continue and will be further strengthen to offset a portion of the rising cost of some major raw material.

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B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements
B3. Prospects for 2013
Automotive parts

Malaysian Automotive Association (MAA) industry forecast for 2013 is as follows:

	2013	2012	Variance	
Market segment	Forecast	Actual	Units	%
Passenger vehicles	563,000	552,189	10,811	2%
Commercial vehicles	77,000	75,564	1,436	2%
Total vehicles	640,000	627,753	12,247	2%

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

Machinery parts

We anticipate that export sales will continue to grow in 2013 as it did in 2012 and break into new markets.

Management is cautious on its outlook for the segment in the near future, however; the longer term prospect remains positive.

Plastic

Development efforts in previous months are beginning to convert into some orders. Management will continue to work on penetrating new markets and developing new/alternative solutions for its customers. We are optimistic that 2013 will see the segment yield better 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 ended 31 March 2013.

B5. Taxation

	3 months ended		Financial year ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	385	708	385	708
- Prior year	-	-	-	-
	385	708	385	708
Deferred tax				
- Origination and reversal of temporary differences	432	(35)	432	(35)
- Prior year	-	(58)	-	(58)
	817	615	817	615

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 is arrived at after charging / crediting :

	3 months ended		Financial period ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
Interest income	32	27	32	27
Other income including investment income	182	141	182	141
Interest expenses	(135)	(53)	(135)	(53)
Depreciation and amortization	(984)	(835)	(984)	(835)
Development cost	(131)	(46)	(131)	(46)
Net foreign exchange gain / (loss)	118	(66)	118	(66)

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 31 March 2013.

B8. Group’s borrowings and debt securities

	31.03.2013
	RM'000
	Secured
Current	
Borrowings - Bankers' acceptances	521
Borrowings – Short Term Revolving Credit	306
Borrowings - Term Loan	3,152
Borrowings – Hire-Purchase	110
	<u>4,089</u>
Non-current	
Repayable after more than 12 months	
Borrowings - Term Loan	3,257
Borrowings – Hire-Purchase	153
	<u>3,410</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.

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

B10. Dividend

A first and final dividend of 3.34 sen per Ordinary Share of RM1.00 each less 25% Income Tax (2.5 sen net per Ordinary Share) for the financial year ended 31 December 2012 will be proposed to the shareholders for the approval at the forthcoming Annual General Meeting. The interim financial statement for the current financial year-to-date does not reflect the said proposed dividend. Such dividend if approved by shareholders will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

The Board of Directors does not recommend any dividend for the current quarter ending 31 March 2013.

B11. Retained Earnings

	As at 31.03.2013 RM'000	As at 31.03.2012 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit / (loss)	62,956	60,964
- Unrealised profit / (loss)	(1,459)	(1,185)
	61,497	59,779
Less : Consolidated Adjustments	(36,167)	(35,416)
Total retained earnings	<u>25,330</u>	<u>24,363</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 31.03.2013 RM'000	For the cumulative 3 months period ended 31.03.2013 RM'000
Profit for the period	975	975
Profit attributable to minority interest	303	303
Profit for the period attributable to Shareholders of the Company	<u>1,278</u>	<u>1,278</u>
Weighted average number of ordinary shares	<u>42,216</u>	<u>42,216</u>
Basic earnings per share (sen)	<u>2.31</u>	<u>2.31</u>

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31 March 2013

