

## **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 2013**

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#### **A1 Basis of preparation**

This interim financial report is based on the unaudited financial statements for the quarter ended 31 December 2013 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 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 146,169 new passenger vehicles registrations for the quarter ended 31 December 2013, which represents a 1.44% decrease as compared to 148,299 units for the corresponding period in the previous year. The total Industry Volume for year ended 2013 was 655,793 units against 627,753 units in 2012, representing a 4.47% increase.

#### **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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**A Notes to Interim Financial Report on Consolidated Results for the Year Ended 31 December 2013****A7 Dividend**

The following dividend was paid during the year.

**In respect of financial year ended 31 December 2012**

First and final dividend of 3.34 sen per ordinary share less 25% income tax (2.5 sen net per ordinary share), paid on 28 June 2013.

**RM'000**1,057**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 12 months period ended 31 December 2013:

<i>Business segments</i>	Automotive Parts RM'000	Machinery Parts RM'000	Plastic RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from external customers	112,802	16,501	3,648	-	-	132,951
Segment results	11,937	62	(3,253)	(393)	(35)	8,318
Interest income						252
Financing costs						(566)
Profit before taxation						8,006
Tax expense						(3,031)
Profit after taxation						4,975
Fair value reserve						(89)
Translation reserve						242
Total comprehensive income for the period						5,128

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<i>Business segments</i>	Automotive	Machinery	Discontinued				Consolidated
	Parts	Parts	Plastic	Operation	Others	Eliminations	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Segment assets</b>	84,957	20,399	13,729	41	71,353	(75,102)	115,377
<b>Total assets</b>							<u>115,377</u>
<b>Segment liabilities</b>	27,394	2,534	14,291	40	152	(10,195)	34,216
<b>Total liabilities</b>							<u>34,216</u>

<i>Business segments</i>	Automotive	Machinery	Plastic	Discontinued	Eliminations	Consolidated
	Parts	Parts		Operation		
	RM'000	RM'000	RM'000	RM'000		
Capital expenditure	4,893	539	1,367	-	-	6,799
Depreciation of investment properties	6	16	-	-	-	22
Depreciation of property, plant and equipment	4,054	368	537	-	-	4,959

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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### **A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 December 2013**

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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 2013.

#### **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 31.12.2013 RM'000	As at 31.12.2012 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>654</u>	<u>288</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 :-

Revenue by segment	For the	For the	Increase / (Decrease)	
	quarter ended 31.12.2013 RM'000	quarter ended 31.12.2012 RM'000	RM'000	%
Automotive parts	30,157	22,580	7,577	33.56%
Machinery parts	3,888	4,923	(1,035)	(21.02%)
Plastic	1,434	339	1,095	323.01%
	<u>35,479</u>	<u>27,842</u>	<u>7,637</u>	<u>27.43%</u>
<b>PBT by segment</b>				
Automotive parts	2,411	1,028	1,383	134.53%
Machinery parts	(519)	563	(1,082)	(192.18%)
Plastic	(1,123)	(1,471)	348	23.66%
	<u>769</u>	<u>120</u>	<u>649</u>	<u>540.83%</u>

The Group’s revenue recorded a 27.43% increase for the quarter ended 31 December 2013, in comparison to the previous corresponding period.

#### Automotive parts

A significant improvement in terms of revenue and PBT for the automotive segment in relation to the quarter under review vs the corresponding quarter in 2012 is due to increase in sales of both braking and carpet products. Braking products for various models to Perodua, Mazda and Hyundai coupled with carpet and interior trim products for various Honda, Nissan, Mazda and Toyota models which commenced supply in 2014 accounts for the improved results.

#### Machinery parts

Machinery segment saw a general reduction in volume from its resellers from both local and overseas market. The loss for the period under review was the result of a provision for doubtful debts of RM374k and a provision for obsolete inventory of RM309k.

#### Plastic

The segment has improved as it is beginning to see consistent orders as a result of its product development efforts as opposed to supply of more generic type products which are more sporadic in nature in 2012 and 1<sup>st</sup> half of 2013.

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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 31.12.2013 RM'000	Quarter Ended 30.09.2013 RM'000	Quarter Ended 31.12.2013 RM'000	Quarter Ended 30.09.2013 RM'000
<b>Consolidated total</b>	<b>35,479</b>	<b>34,341</b>	<b>769</b>	<b>2,970</b>
<b>Business Segment:</b>				
Automotive parts	30,157	29,672	2,411	3,269
Machinery parts	3,888	3,929	(519)	131
Plastic Resin	1,434	740	(1,123)	(430)

The Group's revenue recorded a marginal 3.30% increase for the quarter ended 31 December 2013, in comparison to the preceding quarter.

#### Automotive parts

Volume for the quarter under review for the Automotive parts segment is similar to that of the preceding period. Profitability suffered as a result of provision for doubtful debts amounting to RM413k.

#### Machinery parts

The segment remained flat over the last 2 quarters. A loss was registered in the last quarter due to a provision for doubtful debts as per note B1.

#### Plastic

Whilst volume remains small in comparison to other segments, the company made critical in roads securing business which offers more consistent up take. Commencement of few key projects in the last quarter accounts for the growth over the preceding period.

#### B3. Prospects for 2014

##### Automotive parts

MAA industry forecast for 2014 is as follows:

Market segment	2014	2013	Variance	
	Forecast	Actual	Units	%
Passenger vehicles	589,600	576,657	12,943	2%
Commercial vehicles	80,400	79,136	1,264	2%
Total vehicles	670,000	655,793	14,207	2%

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

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#### B3. Prospects for 2014 (cond't)

##### Machinery parts

The prospect for this segment remains unchanged as management continue to seek new markets and export sales to mitigate the effects of weak local demand and pricing pressure from competitors. Management is of the opinion that the segment will not see significant changes in the near future.

##### Plastic

Efforts to penetrate new markets and develop new/alternative solutions are bearing results. The company is working on expanding the range of products to existing customers while maintaining efforts in developing solutions for new customers..

#### 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 2013.

#### B5. Taxation

	3 months ended		Financial year ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	780	713	3,579	2,712
- Prior year	(122)	-	(122)	405
	658	713	3,457	3,117
Deferred tax				
- Origination and reversal of temporary differences	(353)	(312)	(337)	(271)
- Prior year	(89)	(27)	(89)	(713)
	216	374	3,031	2,133

The Group's effective tax rate for the current quarter was higher than the statutory tax rate of 25% mainly due to certain expenses not being deductible for tax purposes.

#### 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 year ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Interest income	181	13	252	161
Other income including investment income	48	59	750	483
Interest expenses	(101)	(60)	(521)	(302)
Depreciation and amortization	(1,423)	(1,121)	(4,959)	(4,151)
Amortization of intangible asset	-	(48)	-	(195)
Allowance for bad debts and bad debts written off	-	(35)	-	(972)
Impairment loss on trade receivable	(788)	(149)	(788)	(149)
Development cost	12	(233)	(374)	-
Net foreign exchange gain	156	(87)	504	205

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 2013.

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

	31.12.2013
	RM'000
	Secured
<b>Current</b>	
Borrowings – Bankers' acceptances	1,446
Borrowings – Short Term Revolving Credit	904
Borrowings – Term loan	130
Borrowings – Bank Overdraft	2,865
Borrowings – Hire-Purchase	153
	<u>5,498</u>
<b>Non-current</b>	
Repayable after more than 12 months	
Borrowings - Term Loan	2,227
	<u>2,227</u>

Bankers Acceptance, revolving credit 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**

No decision has been made on dividend payment for the financial year ended 31 December 2013.

**B11. Retained Earnings**

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit / (loss)	63,436	60,423
- Unrealised profit / (loss)	796	(261)
	<u>64,232</u>	<u>60,162</u>
Less : Consolidated Adjustments	<u>(36,976)</u>	<u>(35,807)</u>
Total retained earnings	<u><u>27,256</u></u>	<u><u>24,355</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 31.12.2013 RM'000	For the cumulative 12 months period ended 31.12.2013 RM'000
Profit for the period	(214)	3,958
Profit attributable to minority interest	289	1,017
Profit for the period attributable to Shareholders of the Company	<u>75</u>	<u>4,974</u>
Weighted average number of ordinary shares	<u>42,200</u>	<u>42,208</u>
Basic earnings per share (sen)	<u><u>(0.51)</u></u>	<u><u>9.38</u></u>

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Interim Financial Report  
31 December 2013