

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 31st March 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 142,545 new passenger vehicles registrations for the quarter ended 31 March 2011, which represents a 7% increase compared to 133,057 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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31st March 2011**
A7 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 RM 4.246. 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 2011	5,000	0.84	0.84	0.84	4.246

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 3 months period ended 31st March 2011:

<i>Business segments</i>	Automotive Parts RM'000	Machinery Parts RM'000	Battery Products RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from external customers	21,646	2,868	-	-	24,514
Segment results	2,082	(804)	(2)	-	1,276
Unallocated expense					(66)
Interest income					1,210
Financing costs					16
Profit before taxation					(21)
Tax expense					1,205
Profit after taxation					(619)
Minority interest					586
Profit the period					(333)
					253

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

<i>Business segments</i>	Automotive Parts RM'000	Machinery Parts RM'000	Battery Products RM'000	Eliminations RM'000	Consolidated RM'000
Segment assets	68,133	22,726	37	(78)	90,818
Unallocated assets					3,691
Total assets					94,509
Segment liabilities	18,167	1,918	260	(4,694)	15,651
Unallocated liabilities					1,711
Total liabilities					17,362

<i>Business segments</i>	Automotive Parts RM'000	Machinery Parts RM'000	Battery Products RM'000	Eliminations RM'000	Consolidated RM'000
Capital expenditure	787	93	-	-	880
Depreciation of investment properties		1	9	-	10
Depreciation of property, plant and equipment	825	53	-	-	878

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.

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.

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31st March 2011**

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:

	31.03.2011	31.03.2010
	RM'000	RM'000
Plant and equipment		
Contracted but not provided for in the financial statements	747	44
	=====	=====

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

B1. Review of performance

Revenue recorded was a marginal 2% increase for the quarter ended 31 March 2011, in comparison to the previous corresponding period. The Automotive Parts recording 10% growth while the Machinery Parts recorded 34% decrease in terms of sales revenue.

Both Automotive and Machinery Parts recorded lower margins for the quarter in comparison to the corresponding period of the previous year. Margin reduction in the Automotive segment was due to higher cost of materials whilst increased competition created downward pressure on prices for Machinery Parts.

B2. Material change in the quarterly results compared to preceding quarter’s results

Factors contributing to material changes in the results for the current quarter as compared to the results of the preceding quarter are set out in **Note B1**.

B3. Current financial year’s prospects

Sustained demand for the industry is expected to remain strong as MAA forecasted the Industry Volume for passenger vehicle sales to grow in 2011 by 2% to 555,000 units from actual sold in year 2010 of 543,549 units. However, the Group expects production volume to reduce in the second quarter due to shortage of parts from Japan affecting the industry as a whole. We are optimistic that the disruptions will return to normal for the remaining quarters. We foresee the performance of the Group to be satisfactory.

B4. Variance of actual profit from profit forecast

Not applicable to the Group.

B5. Taxation

Taxation comprises:

	For the quarter ended 31.03.2011 RM'000	For the cumulative 3 months period ended 31.03.2011 RM'000
Income tax	(619) =====	(619) =====

B6. Unquoted investments and properties

There was no purchase or disposal of unquoted investments or properties during the current quarter.

B7. Quoted investments

There was no purchase or disposal of quoted securities during the quarter under review except for the share buy-back as disclosed in **Note A7** above.

B8. 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**B9. Financial instruments with off balance sheet risks**

There were no financial instruments with off balance sheet risks during the current quarter.

B10. Material litigation

There are no pending material litigations as at the date of this quarterly report.

B11. Dividend

There were no dividends paid during the quarter under review.

B12. Retained Earnings

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Total retained earnings of the Company and subsidiaries :-		
- Realised profit / (loss)	59,863	59,325
- Unrealised profit / (loss)	(688)	(735)
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	59,175	58,590
Less : Consolidated Adjustments	(33,764)	33,432)
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Total retained earnings	25,411	25,158
	=====	=====

B13. 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 31.03.2011 RM'000	For the cumulative 3 months period ended 31.03.2011 RM'000
Profit for the period	586	586
Profit attributable to minority interest	(333)	(333)
	-----	-----
Profit for the period attributable to Shareholders of the Company	253	253
	=====	=====
Weighted average number of ordinary shares	42,252	42,252
	=====	=====
Basic earnings per share (sen)	0.60	0.60
	=====	=====

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Interim Financial Report
31 March 2011