

SMIS Corporation Berhad

(Company No. 491857-V)

(Incorporated in Malaysia)

and its subsidiaries

A Notes to Interim Financial Report on Consolidated Results For the Second Quarter Ended 30 June 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 123,109 new passenger vehicles registrations for the quarter ended 30th June 2011, which represents a 11% decrease compared to 138,816 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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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.

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 6 months period ended 30th June 2011:

<i>Business segments</i>	<i>Automotive Parts</i>	<i>Machinery Parts</i>	<i>Battery Products</i>	<i>Plastics</i>	<i>Eliminations</i>	<i>Consolidated</i>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	42,866	6,646	-	-	-	49,512
Segment results	4,188	(1,297)	(4)	(10)	-	2,877
Unallocated expense						(152)
						2,725
Interest income						123
Financing costs						(40)
Profit before taxation						2,808
Tax expense						(1,283)
Profit after taxation						1,525
Minority interest						(425)
Profit the period						1,100

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<i>Business segments</i>	<i>Automotive Parts</i>	<i>Machinery Parts</i>	<i>Battery Products</i>	<i>Plastics</i>	<i>Eliminations</i>	<i>Consolidated</i>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	65,346	22,822	32	6,494	(1,067)	93,627
Unallocated assets						3,155
Total assets						96,782

Segment liabilities	16,571	2,622	258	254	(4,538)	15,165
Unallocated liabilities						1,702
Total liabilities						16,867

<i>Business segments</i>	<i>Automotive Parts</i>	<i>Machinery Parts</i>	<i>Battery Products</i>	<i>Plastics</i>	<i>Eliminations</i>	<i>Consolidated</i>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Capital expenditure	1,218	101	-	1,351	-	2,670
Depreciation of investment properties	3	18	-	-	-	21
Depreciation of property, plant and equipment	1,656	124	-	-	-	1,781

No segmental reporting has been prepared for geographical segments as the Group's activities are predominantly carried out in Malaysia.

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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 except for the following:

On 15th June 2011, Exsilio Pte Ltd ("Exsilio"), a wholly-owned subsidiary of the Company had subscribed for 7,000 ordinary shares of RM1.00 each at an issue price of RM600.00 each in the share capital of Plaspoint Sdn Bhd ("Plaspoint") (formerly known as All Century Streams Sdn Bhd) for a total cash consideration of RM4,200,000 representing 70% of the total enlarged issued and paid-up share capital of Plaspoint thereby resulting in Plaspoint being a subsidiary of Exsilio.

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:

	30.06.2011	30.06.2010
	RM'000	RM'000
Plant and equipment		
Contracted but not provided for in the financial statements	882	120
	=====	=====

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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 1.56% decrease for the quarter ended 30 June 2011, in comparison to the previous corresponding period. The Automotive Parts recording 3.23% decrease while the Machinery Parts recorded 8.85% growth in terms of sales revenue.

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

MAA revised its forecast the Industry Volume for passenger vehicle sales in 2011 from 555,000 units to 546,000 units, against actual sold in year 2010 of 543,549 units. In view of this the Group expects its performance for the year to be relatively stable.

B4. Variance of actual profit from profit forecast

Not applicable to the Group.

B5. Taxation

Taxation comprises:

	For the quarter ended 30.06.2011 RM'000	For the cumulative 6 months period ended 30.06.2011 RM'000
Income tax	(664) =====	(1,283) =====

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 30.06.2011 RM'000	As at 30.06.2010 RM'000
Total retained earnings of the Company and subsidiaries :-		
- Realised profit / (loss)	60,787	59,325
- Unrealised profit / (loss)	(671)	(735)
	-----	-----
	60,116	58,590
Less : Consolidated Adjustments	(33,858)	(33,432)
	-----	-----
Total retained earnings	26,258	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 30.06.2011 RM'000	For the cumulative 6 months period ended 30.06.2011 RM'000
Profit for the period	939	1,525
Profit attributable to minority interest	(92)	(425)
	-----	-----
Profit for the period attributable to Shareholders of the Company	847	1,100
	=====	=====
Weighted average number of ordinary shares	42,249	42,251
	=====	=====
Basic earnings per share (sen)	2.00	2.60
	=====	=====

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30 June 2011