

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 September 2012

A1 Basis of preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 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 138,061 new passenger vehicles registrations for the quarter ended 30 September 2012, which represents a 0.76% increase compared to 137,022 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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A Notes to Interim Financial Report on Consolidated Results for the Period Ended 30 September 2012**A8 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 2,394. 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 2012	5,000	0.53	0.53	0.53	2,719
Jul – Sept 2012	5,000	0.47	0.47	0.47	2,394

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 9 months period ended 30 September 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	73,025	13,507	1,295	-	(5)	87,822
Segment results	5,782	1,526	(3,265)	(1)	-	4,042
Unallocated expense						(206)
						3,836
Interest income						147
Financing costs						(256)
Profit before taxation						3,727
Tax expense						(1,759)
Profit after taxation						1,968
Fair value reserve						(133)
Translation reserve						(199)
Total comprehensive income for the period						1,638

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A Notes to Interim Financial Report on Consolidated Results for the Period Ended 30 September 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	74,191	19,028	13,098	44	(1,027)	105,334
Unallocated assets						1,835
Total assets						107,169
Segment liabilities	21,096	1,863	4,450	277	(4,150)	23,536
Unallocated liabilities						987
Total liabilities						24,523

<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	3,225	16	3,148	-	-	6,389
Depreciation of investment properties	5	17	-	-	-	22
Depreciation of property, plant and equipment	2,628	159	221	-	-	3,008
Amortisation of intangible assets	-	-	147	-	-	147

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 30 September 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 September 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 September 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 30.9.2012 RM'000	As at 30.9.2011 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>1,127</u>	<u>429</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 30.9.2012 RM'000	For the quarter ended 30.9.2011 RM'000	Increase / (Decrease)	
			RM'000	%
Revenue by segment				
Automotive parts	24,468	23,051	1,417	6.14%
Machinery parts	3,840	5,343	(1,503)	-28.13%
Plastic	262	3,685	(3,423)	-92.89%
	<u>28,570</u>	<u>32,079</u>	<u>(3,509)</u>	<u>-10.93%</u>
PBT by segment				
Automotive parts	1,610	2,561	(951)	-37.13%
Machinery parts	225	(1,171)	1,396	119.21%
Plastic	(1,510)	137	(1,647)	-1,202.19%
	<u>325</u>	<u>1,527</u>	<u>(1,202)</u>	<u>-78.71%</u>

The Group's revenue recorded a marginal 10.93% decrease for the quarter ended 30 September 2012, in comparison to the previous corresponding period.

Automotive parts

Despite recording higher revenue against the corresponding quarter of 2011, the segment's profit was reduced as a larger portion of the sales mix consist of lower margin products.

Machinery parts

Revenue generation for the reporting period was lower than the previous corresponding period. 2011 saw a slow start to the year with sales picking up during the second half of the year, with 64% of the annual sales being recorded in Q3 and Q4. Loss recorded in Q3 2011 was largely due to development expenditure of MYR2 million.

Plastic

Weak demand for electronic products (with the exception of the smartphone market) from Europe and USA continue to have an adverse effect on the plastic segment, with reduced demand for existing products and scrapping of new programs by end-user. Management is currently working on cost efficiencies and also monitoring the segment closely to minimize any further deterioration in the segment.

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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 30.09.2012 RM'000	Quarter Ended 30.06.2012 RM'000	Quarter Ended 30.09.2012 RM'000	Quarter Ended 30.06.2012 RM'000
Consolidated total	28,570	31,354	(8)	2,086
Business Segment:				
Automotive parts	24,468	25,179	1,610	2,028
Machinery parts	3,840	5,895	225	1,058
Plastic Resin	262	280	(1,510)	(591)

The Group's revenue recorded a marginal 8.87% decrease for the quarter ended 30 September 2012, in comparison to the preceding quarter.

Automotive parts

The segment remained consistent over the last two quarters with revenues dipping slightly in the reporting period. Profits are lower due to lower margin product mix.

Machinery parts

The segment started 2012 strong with overflow book orders from 2011 being fulfilled in the first two quarters. Revenue for the reporting period has since normalize.

Plastic

Typically pre-Christmas sales should see demand increase significantly for the reporting quarter, however; the segment continue to see softness in the industry for the reporting period. Increase in loss for the period was mainly due to provision for doubtful debts.

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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.

With increase in export sales in 2012, the Machinery parts segment is expected grow further as it breaks into new markets.

Management is keeping a cautious outlook for the segment in the near future, however; the longer term prospects remains positive.

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	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	448	616	1,999	1,899
- Prior year	405	45	405	45
	853	661	2,404	1,944
Deferred tax				
- Origination and reversal of temporary differences	116	-	41	0
- Prior year	(571)	-	(686)	0
	398	661	1,759	1,944

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	
	30.9.2012 RM'000	30.9.2011 RM'000	30.9.2012 RM'000	30.9.2011 RM'000
Interest income	33	(22)	148	101
Other income including investment income	2	508	542	749
Interest expenses	(110)	(46)	(242)	(78)
Depreciation and amortization	(1,046)	(982)	(3,030)	(2,763)
Amortization of intangible assets	(49)	-	(147)	-
Allowance for doubtful debts and bad debts written off	(932)	-	(938)	-
Development cost	(106)	(100)	(233)	(212)
Net foreign exchange gain / (loss)	(79)	11	118	44

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 September 2012.

B8. Group’s borrowings and debt securities

	30.9.2012 RM'000 Secured
Current	
Borrowings - Bankers' acceptances	205
Borrowings - Bank overdraft	1,869
Borrowings - Term Loan	735
	<u>2,809</u>
Non-current	
Repayable after more than 12 months	
Borrowing - Term loan	<u>3,278</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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**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 30.9.2012 RM'000	As at 30.9.2011 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit / (loss)	61,428	61,264
- Unrealised profit / (loss)	(596)	(351)
	<u>60,832</u>	<u>60,913</u>
Less : Consolidated Adjustments	<u>(35,441)</u>	<u>(34,019)</u>
Total retained earnings	<u><u>25,391</u></u>	<u><u>26,894</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 30.9.2012 RM'000	For the cumulative 9 months period ended 30.9.2012 RM'000
(Loss) / Profit for the period	(373)	1,890
(Loss) / Profit attributable to minority interest	(33)	78
(Loss) / Profit for the period attributable to Shareholders of the Company	<u>(406)</u>	<u>1,968</u>
Weighted average number of ordinary shares	<u>42,223</u>	<u>42,226</u>
Basic earnings per share (sen)	<u>(0.88)</u>	<u>4.48</u>

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