

## **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 2012**

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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 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 148,299 new passenger vehicles registrations for the quarter ended 31 December 2012, which represents a 11.98% increase compared to 132,437 units for the corresponding period in the previous year. The Total Industry Volume for year ended 2012 was 627,753 units against 600,123 units in 2011, representing a 4.6% 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.

#### **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 12 months period ended 31 December 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	95,605	18,430	1,634	-	(5)	115,664
Segment results	6,584	1,935	(4,917)	186	-	3,778
Unallocated expense						(592)
						3,405
Interest income						390
Financing costs						(381)
Profit before taxation						3,205
Tax expense						(1,865)
Profit after taxation						1,340
Fair value reserve						(164)
Translation reserve						(187)
Total comprehensive income for the year						989

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**A Notes to Interim Financial Report on Consolidated Results for the Period Ended 31 December 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
<b>Segment assets</b>	75,910	20,265	12,903	41	(6,820)	102,298
Unallocated assets						7,710
<b>Total assets</b>						<u>110,008</u>
<b>Segment liabilities</b>	28,396	2,587	6,028	77	(10,018)	27,070
Unallocated liabilities						968
<b>Total liabilities</b>						<u>28,038</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	4,056	375	3,675	-	-	8,106
Depreciation of investment properties	6	16	-	-	-	22
Depreciation of property, plant and equipment	3,684	219	311	-	-	4,214
Amortisation of intangible assets	-	-	195	-	-	195

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 Year Ended 31 December 2012

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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 31.12.2012 RM'000	As at 31.12.2011 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>288</u>	<u>4,548</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 31.12.2012 RM'000	For the quarter ended 31.12.2011 RM'000	Increase / (Decrease)	
			RM'000	%
<b>Revenue by segment</b>				
Automotive parts	22,580	21,099	1,481	7.02%
Machinery parts	4,923	6,073	(1,150)	-19.94%
Plastic	339	1,246	(907)	-72.79%
	<u>27,842</u>	<u>28,418</u>	<u>(576)</u>	<u>-2.03%</u>
<b>PBT by segment</b>				
Automotive parts	859	1,385	(526)	-37.98%
Machinery parts	560	(1,719)	2,279	132.58%
Plastic	(1,652)	(1,301)	(351)	-26.98%
	<u>(233)</u>	<u>(1,635)</u>	<u>1,402</u>	<u>85.75%</u>

The Group’s revenue recorded a marginal 2.03% decrease for the quarter ended 31 December 2012, in comparison to the previous corresponding period.

**Automotive parts**

Revenue in 2011 was lower than expected due to the disruption in the supply chain as a result of the Thailand floods. Q4 ‘2012 saw the phasing out of models from Suzuki and Hyundai. However, this was compensated by the introduction of the Subaru XV and also Proton Persona and Exora models ramp up in volumes. There was a provision of ex-gratia payment (MYR1.5m) to two founding directors who retired in Q4 ‘2012.

**Machinery parts**

Revenue distribution in each quarter of 2012 was more even as compared to 2011; in 2011 revenue peaked in Q4. Loss in Q4 ‘2011 was due to development expenditure of MYR2m. No such development expenditure were incurred in 2012.

**Plastic**

The sharp drop in revenue was due to loss of an outsourcing production contract. With global demand for electronics products contracting further, previously outsourced production volumes are now produced in-house by the customer.

Loss for the period includes amortization and impairment of intangible assets amounting to MYR0.9m and bad debts written off MYR1.0m.

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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 31.12.2012 RM'000	Quarter Ended 30.09.2012 RM'000	Quarter Ended 31.12.2012 RM'000	Quarter Ended 30.09.2012 RM'000
<b>Consolidated total</b>	<b>27,842</b>	<b>28,570</b>	<b>(522)</b>	<b>(8)</b>
<b>Business Segment:</b>				
Automotive parts	22,580	24,468	859	1,610
Machinery parts	4,923	3,840	560	225
Plastic Resin	339	262	(1,652)	(1,510)

The Group's revenue recorded a marginal 2.55% decrease for the quarter ended 31 December 2012, in comparison to the preceding quarter.

**Automotive parts**

Phasing out of certain models in Q4' 2012 caused revenue to fall marginally against the previous quarter. As explained in note B1 above, there was a provision of ex-gratia payment (MYR1.5m) to two founding directors who retired in Q4 '2012.

**Machinery parts**

While 2012 saw a more evenly distributed revenue across the year against 2011, the machinery segment still experienced a peak in revenue in Q4 '2012. As such; the better corresponding profits for the period.

**Plastic**

The increase in revenue is due to new business that the company was developing over the previous months. Raw material prices remains unstable, thus; a slightly higher loss for the period against the previous quarter.

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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 2012 is as follows:

Market segment	2013	2012	Variance	
	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 keeping a cautious 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 book orders. The management is consistently working on new markets and developing 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 December 2012.

**B5. Taxation**

	3 months ended		Financial year ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	670	511	2,669	2,410
- Prior year	-	107	405	152
	670	618	3,074	2,562
Deferred tax				
- Origination and reversal of temporary differences	(330)	132	(289)	132
- Prior year	(234)	(11)	(920)	(11)
	106	739	1,865	2,683

**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	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Interest income	90	100	390	239
Other income including investment income	168	382	555	1,093
Interest expenses	(103)	(33)	(299)	(111)
Depreciation and amortization	(1,206)	(1,128)	(4,236)	(3,891)
Amortization of intangible assets	(48)	(82)	(195)	(82)
Allowance for doubtful debts and bad debts written off	(224)	-	(1,162)	-
Impairment loss on trade receivable	-	(276)	-	(276)
Impairment loss on investment properties	-	(317)	-	(317)
Development cost	(92)	(4,827)	(325)	(5,039)
Net foreign exchange gain / (loss)	(183)	248	(65)	292

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 December 2012.

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

	31.12.2012 RM'000 Secured
<b>Current</b>	
Borrowings - Bankers' acceptances	193
Borrowings - Bank overdraft	3,115
Borrowings - Term Loan	726
Borrowings – Hire-Purchase	150
	<u>4,184</u>
<b>Non-current</b>	
Repayable after more than 12 months	
Borrowings - Term Loan	3,257
Borrowings – Hire-Purchase	150
	<u>3,407</u>



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**B Additional Information Required by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements****B8. Group’s borrowings and debt securities ( cond’t )**

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.

**B9. Material litigation**

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 2012.

**B11. Retained Earnings**

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit / (loss)	60,304	58,495
- Unrealised profit / (loss)	(35)	(251)
	<u>60,269</u>	<u>58,746</u>
Less : Consolidated Adjustments	<u>(35,870)</u>	<u>(35,245)</u>
Total retained earnings	<u><u>24,399</u></u>	<u><u>23,501</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 31.12.2012 RM'000	For the cumulative 12 months period ended 31.12.2012 RM'000
( Loss ) / Profit for the period	(992)	898
( Loss ) / Profit attributable to minority interest	364	442
(Loss ) / Profit for the period attributable to Shareholders of the Company	<u>(628)</u>	<u>1,340</u>
Weighted average number of ordinary shares	<u>42,225</u>	<u>42,225</u>
Basic earnings per share (sen)	<u><u>(2.35)</u></u>	<u><u>2.13</u></u>

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31 December 2012