

## **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 2013**

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

This interim financial report is based on the unaudited financial statements for the quarter ended 30 September 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 154,497 new passenger vehicles registrations for the quarter ended 30 September 2013, which represents a 11.90% increase as compared to 138,061 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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**A Notes to Interim Financial Report on Consolidated Results for the Period Ended 30 September 2013****A7 Dividend**

The following dividend was paid during the current period.

**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 9 months period ended 30 September 2013:

<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	82,645	12,582	2,214	-	-	97,442
Segment results	9,585	583	(1,913)	-	(36)	8,219
Unallocated expense						(201)
						8,018
Interest income						143
Financing costs						(446)
Profit before taxation						7,715
Tax expense						(2,815)
Profit after taxation						4,900
Fair value reserve						55
Translation reserve						206
Total comprehensive income for the period						5,161

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<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>	80,282	19,831	13,471	41	(1,247)	112,378
Unallocated assets						3,808
<b>Total assets</b>						116,186
<b>Segment liabilities</b>	27,895	2,464	9,342	40	(10,372)	29,369
Unallocated liabilities						1,623
<b>Total liabilities</b>						30,992

<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	2,775	539	1,285	-	-	4,599
Depreciation of investment properties	5	12	-	-	-	17
Depreciation of property, plant and equipment	2,940	238	341	-	-	3,519

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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#### **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 30 September 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 30.09.2013 RM'000	As at 30.09.2012 RM'000
Plant and equipment Contracted but not provided in the financial statements	<u>848</u>	<u>1,127</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 30.09.2013 RM'000	For the quarter ended 30.09.2012 RM'000	Increase / (Decrease)	
			RM'000	%
<b>Revenue by segment</b>				
Automotive parts	29,672	24,468	5,204	21.27%
Machinery parts	3,929	3,840	89	2.32%
Plastic	740	262	478	182.44%
	<u>34,341</u>	<u>28,570</u>	<u>5,771</u>	<u>20.20%</u>
<b>PBT by segment</b>				
Automotive parts	3,269	1,610	1,659	103.04%
Machinery parts	131	225	(94)	-41.78%
Plastic	(430)	(1,510)	1,080	71.52%
	<u>2,970</u>	<u>325</u>	<u>2,645</u>	<u>10,457.69%</u>

The Group’s revenue recorded a marginal 20.20% increase for the quarter ended 30 September 2013, in comparison to the previous corresponding period.

#### Automotive parts

The automotive segment saw a decrease in export of braking products to Thailand due to the removal of first car incentive by the Thailand government. However, the segment still manage to record an increase of 21.27% in turnover in comparison to the corresponding quarter in the previous year contributed by the increase in volume from existing models. Besides higher sales volume, better control of material consumption contributed to better margin.

#### Machinery parts

Machinery segment contributed revenue of RM3.93 million as compared to Q3 2012 of RM3.84 million, remained fairly consistent with the preceding year corresponding quarter. However, PBT has dropped due to low profit products mix. Depressed order intake throughout the year has been affecting the sales and consequentially the PBT.

#### Plastic

The segment grew 182.44% to RM0.74 million in comparison to the preceding year corresponding quarter. This is despite key markets namely US and EU remaining sluggish.

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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 30.09.2013 RM'000	Quarter Ended 30.06.2013 RM'000	Quarter Ended 30.09.2013 RM'000	Quarter Ended 30.06.2013 RM'000
<b>Consolidated total</b>	<b>34,341</b>	<b>33,333</b>	<b>2,718</b>	<b>2,095</b>
<b>Business Segment:</b>				
Automotive parts	29,672	28,036	3,269	3,366
Machinery parts	3,929	4,611	131	476
Plastic Resin	740	686	(430)	(565)

The Group's revenue recorded a marginal 3.02% increase for the quarter ended 30 September 2013, in comparison to the preceding quarter.

#### Automotive parts

Whilst export of braking products to Thailand was reduced coupled with poor market response to the introduction of Proton Preve, higher sales volume from existing model and the introduction of new Honda Accord allowed the segment to record a 5.8% increase in turnover against the preceding quarter.

#### Machinery parts

The sector saw its reduction in 14.8% of turnover as Q3 2013 did not enjoy overflow orders secured in Q4 2012 which were executed in Q2 2013.

#### Plastic

While the segment continued to face a challenging environment given the uncertainty of the recovery in major global economies, the company managed to record a 7.9% increase in comparison to the preceding quarter.

#### B3. Prospects for 2013

##### Automotive parts

MAA industry forecast for 2013 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.

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#### B3. Prospects for 2013 (cond't)

##### Machinery parts

The prospect for this segment remains unchanged as reported in the previous quarter. We anticipate that export sales will continue to grow in 2013 as it did in 2012 and break into new markets. Management is cautious on its outlook for the segment in the near future, however; the longer term prospect remains positive.

##### Plastic

Efforts to penetrate new markets and develop new/alternative solutions are beginning to result in gradual increase in turnover. The management will intensify efforts adopting its existing strategies.

#### 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 period ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
	RM'000	RM'000	RM'000	RM'000
Income tax expenses				
- Current year	1,096	448	2,799	1,999
- Prior year	-	405	-	405
	1,096	853	2,799	2,404
Deferred tax				
- Origination and reversal of temporary differences	(134)	116	16	41
- Prior year	-	(571)	-	(686)
	962	398	2,815	1,759

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		9 months ended	
	30.09.2013 RM'000	30.09.2012 RM'000	30.09.2013 RM'000	30.09.2012 RM'000
Interest income	33	33	97	148
Other income including investment income	223	2	675	542
Interest expenses	(130)	(110)	(420)	(242)
Depreciation and amortization	(1,382)	(1,046)	(3,536)	(3,030)
Amortization of intangible asset	-	(49)	-	(147)
Allowance for doubtful debts and bad debts written off	-	(932)	-	(938)
Development cost	(45)	(106)	(386)	(233)
Net foreign exchange gain	198	79	348	118

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 2013.

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

	30.09.2013 RM'000 Secured
<b>Current</b>	
Borrowings – Bankers' acceptances	647
Borrowings – Short Term Revolving Credit	36
Borrowings – Bank Overdraft	3,019
Borrowings – Hire-Purchase	37
	<u>3,739</u>
<b>Non-current</b>	
Repayable after more than 12 months	
Borrowings - Term Loan	3,257
Borrowings – Hire-Purchase	153
	<u>3,410</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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The Company and its subsidiaries have no outstanding material litigation as at the date of this announcement.

**B10. Dividend**

The Board of Directors does not recommend any dividend for the current quarter ended 30 September 2013.

**B11. Retained Earnings**

	As at 30.09.2013 RM'000	As at 30.09.2012 RM'000
Total retained earnings of the Company and subsidiaries : -		
- Realised profit / (loss)	64,397	61,428
- Unrealised profit / (loss)	(290)	(596)
	<u>64,107</u>	<u>60,832</u>
Less : Consolidated Adjustments	<u>(36,637)</u>	<u>(35,441)</u>
Total retained earnings	<u><u>27,470</u></u>	<u><u>25,391</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 30.09.2013 RM'000	For the cumulative 9 months period ended 30.09.2013 RM'000
Profit for the period	1,555	4,172
Profit attributable to minority interest	<u>189</u>	<u>728</u>
Profit for the period attributable to Shareholders of the Company	<u><u>1,744</u></u>	<u><u>4,900</u></u>
Weighted average number of ordinary shares	<u><u>42,205</u></u>	<u><u>42,211</u></u>
Basic earnings per share (sen)	<u><u>7.57</u></u>	<u><u>9.88</u></u>

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30 September 2013