annual report | 2008

SMIS Corporation Berhad
(491857-V)

CONTENTS

GROUP STRUCTURE

SMIS Corporation Berhad

100%	GRAND CARPET INDUSTRIES SDN. BHD.
100%	SANYCO GRAND INDUSTRIES SDN. BHD.
60%	SUGIHARA GRAND INDUSTRIES SDN. BHD.
100%	MACHINERY & INDUSTRIAL SUPPLIES SDN. BHD.
66.25%	CLEON TECHNOLOGY SDN. BHD.

CORPORATE INFORMATION

Board of Directors

Mohamed Ghazali bin Kamal Baharein
(Independent Non-Executive Director)
(Chairman)

Mohd Riani bin Osman (Executive Director)

Ng Wai Kee (Executive Director)

Yap Siew Foong (Executive Director)

Cham Bee Sim (Executive Director)

Danny Ng Siew L'Leong
(Senior Independent Non-Executive Director)

Pauline Teh @ Pauline Teh Abdullah
(Independent Non-Executive Director)

Foo Lee Khean
(Independent Non-Executive Director)

Audit Committee

Danny Ng Siew L'Leong
(Senior Independent Non-Executive Director)
(Chairman)

Pauline Teh @ Pauline Teh Abdullah
(Independent Non-Executive Director)

Foo Lee Khean
(Independent Non-Executive Director)

Nomination Committee

Danny Ng Siew L'Leong (Chairman)

Pauline Teh @ Pauline Teh Abdullah

Mohamed Ghazali bin Kamal Baharein

Remuneration Committee

Mohamed Ghazali bin Kamal Baharein (Chairman)

Danny Ng Siew L'Leong

Pauline Teh @ Pauline Teh Abdullah

Ng Wai Kee

Company Secretaries

Liew Irene (MAICSA 7022609)

Choong Lee Wah (MAICSA 7019418)

Registered Office

Lot 6.05, Level 6, KPMG Tower, 8 First Avenue,
Bandar Utama, 47800 Petaling Jaya,
Selangor Darul Ehsan.
Tel: 03-7720 1188 Fax: 03-7720 1111

Auditors

KPMG (Firm No: AF 0758) Chartered Accountants
Level 10, KPMG Tower, 8 First Avenue,
Bandar Utama, 47800 Petaling Jaya,
Selangor Darul Ehsan.

Principal Bankers

EON Bank Berhad (92351-V)
Wisma Cyclecarri
288, Jalan Raja Laut, 50350 Kuala Lumpur,
Wilayah Persekutuan.

United Overseas Bank (Malaysia) Berhad (271809-K)
Level 7, Menara UOB, Jalan Raja Laut,
50050 Kuala Lumpur, Wilayah Persekutuan.

HSBC Bank (Malaysia) Berhad (271809-K)
2, Leboh Ampang, 50100 Kuala Lumpur,
Wilayah Persekutuan.

Registrars

Tenaga Koperat Sdn Bhd (118401-V)
Level 17, The Gardens North Tower, Mid Valley City,
Lingkaran Syed Putra, 59200 Kuala Lumpur,
Wilayah Persekutuan.
Tel: 03-2264 3883 Fax: 03-2282 1886

Stock Exchange Listing

Bursa Malaysia Securities Berhad (Second Board)

SUMMARY OF FINANCIAL HIGHLIGHTS

Summary of Financial Highlights for Balance Sheet and Income Statement for Past Five Years from 2004 to 2008

Balance Sheet	2008 RM'000	2007 RM'000 (Restated)	2006 RM'000	2005 RM'000	2004 RM'000
Issue capital	44,800	44,800	44,800	44,800	44,800
Share premium	4,891	4,891	4,891	4,891	4,891
-Treasury shares	(967)	(579)	(246)	-	-
Retained profits	15,138	14,353	15,251	12,028	10,630
Translation reserve	(43)	4	-	-	-
Minority shareholders' interests	-	-	-	737	1,935
Funds employed	63,819	63,469	64,696	62,456	62,256
Negative goodwill	-	-	-	2,968	5,708
	63,819	63,469	64,696	65,424	67,964
Property, plant and equipment	23,760	24,926	26,746	29,710	30,412
Goodwill	710	1,499	710	710	1,365
Prepaid lease payments	2,010	2,046	2,046	2,082	2,116
Investment properties	1,391	1,432	1,740	1,787	2,223
Other investments	11,823	11,759	-	-	-
Deferred tax assets	718	733	760	755	785
Current asset	42,689	39,346	45,632	46,605	44,196
Total assets	83,101	81,741	77,634	81,649	81,097
Total liabilities	(19,282)	(18,272)	(12,938)	(16,225)	(13,133)
	63,819	63,469	64,696	65,424	67,964
Income Statement					
Revenue	81,257	70,818	77,144	72,998	63,611
Other operating income	329	759	458	3,827	3,098
Other operating expense	(78,084)	(71,572)	(77,088)	(76,179)	(66,458)
Operating profit	3,502	5	514	646	251
Financing costs	(112)	(140)	(144)	(156)	(94)
Interest income	-	42	285	197	236
Profit/(Loss) before taxation	3,390	(93)	655	687	393
Tax expense	(1,116)	(273)	(1,137)	(627)	(1,087)
Profit/(Loss) for the year from continuing operation	2,274	(366)	(482)	60	(694)
Discontinued operation					
Loss from discontinued operation	(1,489)	(678)			
	785	(1,044)			
Attributable to :					
Shareholders of the Company	785	(898)	510	1,398	488
Minority interests	-	(146)	(992)	(1,338)	(1,182)
Profit/(Loss) for the year	785	(1,044)	(482)	60	(694)

Note : The Company was listed on the Second Board of Bursa Malaysia Securities Berhad on 16 April 2002

Directors' Profile

DIRECTORS' PROFILE

Mohamed Ghazali Bin Kamal Baharein
Chairman, Independent Non-Executive Director

Mohamed Ghazali Bin Kamal Baharein, a Malaysian, aged 63, was appointed to the Board of Directors of SMIS on 2 February 2002 as an Independent Non-Executive Director. He was appointed as Chairman, Independent Non-Executive Director on 27 February 2007.

He holds a Bachelor of Arts from University Malaya and a post graduate Diploma in Development Economics from University Cambridge, United Kingdom in 1972. He attended the Program Management Development in Harvard Business School in 1979. He started his career as an Assistant District Officer in the government service and later in various capacities within the FELDA group of companies where his last appointment was Senior General Manager of Felda Palm Industries Sdn Bhd. He is now a businessman and in consultancy services.

He is also the Chairman of the Remuneration Committee and is a member of the Nomination Committee.

He does not hold any other directorship of public companies. He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has not been convicted for any offences within the past 10 years.

Mohd Riani Bin Osman
Executive Director

Mohd Riani Bin Osman, a Malaysian, aged 57, was appointed to the Board of Directors of SMIS on 2 February 2002 as Executive Director.

He is an entrepreneur with more than twenty-eight years experience in business, especially in the field of trading and manufacturing of OEM automotive parts and components. He has extensive working knowledge and experience in the automotive parts and components industry. He is responsible for the operations of the automotive division.

He also serves as a Director of Lysaght Galvanised Steel Berhad.

He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has not been convicted for any offences within the past 10 years.

Ng Wai Kee
Executive Director

Ng Wai Kee, a Malaysian, aged 38, was appointed to the Board of Directors of SMIS on 2 February 2002 as Executive Director.

He holds a Bachelor of Accounting from the University of Technology, Sydney, Australia and is an Associate member of the Institute of Chartered Accountants, Australia. He has worked as project consultant in Westpac Banking Corporation, Sydney in 1992 and with Deloitte Touche Tohmatsu, Sydney in 1993. He left the firm as a Senior Analyst in 1996. He is responsible for the operations and finance of the Group.

He is also a member of the Remuneration Committee.

He does not hold any other directorship of public companies. He is the son of Yap Siew Foong, a Director and major shareholder of the Company. Save as disclosed on page 75 of the annual report, he does not have any other conflict of interest with the Company and has not been convicted of any offences within the past 10 years.

Yap Siew Foong
Executive Director

Yap Siew Foong, a Malaysian, aged 65, was appointed to the Board of Directors of SMIS on 2 February 2002 as Executive Director.

She is one of the co-founders of SMIS Group. She is responsible for the finance and operations of the trading division.

She does not hold any other directorship of public companies. She is the mother of Ng Wai Kee and sister-in-law of Cham Bee Sim. Save as disclosed on page 75 of the annual report, she does not have any other conflict of interest with the Company and has not been convicted of any offences within the past 10 years.

Cham Bee Sim
Executive Director

Cham Bee Sim, a Malaysian, aged 61, was appointed to the Board of Directors of SMIS on 2 February 2002 as Executive Director.

Ha has vast experience in the manufacturing and trading of automotive parts and components. He is responsible for the operations of the automotive division.

He does not hold any other directorship of public companies. He is the brother-in-law of Yap Siew Foong, a Director and a major shareholder of SMIS. Save as disclosed on page 75 of the annual report, he does not have any other conflict of interest with the Company and has not been convicted of any offences within the past 10 years.

Danny Ng Siew L'Leong
Senior Independent Non-Executive Director

Danny Ng Siew L'Leong, a Malaysian, aged 51, was appointed to the Board of Directors of SMIS on 2 February 2002 as an Independent Non-Executive Director.

He graduated with a Bachelor degree in Agribusiness (Honours) from University Pertanian Malaysia, with major in Financial Management in 1982. He was attached to United Malayan Banking Corporation (now known as RHB Bank Berhad) as Credit Analyst for the central region from 1982 to 1986 and subsequently, the Accounts Manager of the Corporate Banking Department from 1986 to 1990. From 1990 to 1991, he was appointed the Unit Head of the Northern Region of the Corporate Banking Department and Head of Credit and Marketing for its Corporate Banking Department from 1991 to 1994.

He also serves as Director of New Hoong Fatt Holdings Berhad and AHB Holdings Berhad. He is the Chairman of the Audit Committee and also a member of the Nomination and Remuneration Committee.

He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has not been convicted for any offences within the past 10 years.

Pauline Teh @ Pauline Teh Abdullah
Independent Non-Executive Director

Pauline Teh @ Pauline Teh Abdullah, a Malaysian, aged 39, was appointed to the Board of Directors of SMIS on 2 February 2002, as an Independent Non-Executive Director.

She obtained a Bachelor of Commerce (Accounting) from Saint Mary's University, Halifax, Canada in 1993 and a Masters in Finance from University of Hull, United Kingdom in 1994. She was a Senior Operations Officer in Public Bank Berhad from 1993 to 1995 and joined Perdana Merchant Bankers 1995 and left as Assistant Vice-President in 1997 to take up the post of Assistant Manager with Project Lebuhraya Utara Selatan Berhad from 1997 to 1998. In 1998, she joined Hanifah Teo & Associates as a Management Consultant. She left BDO Capital Consultants Sdn Bhd in May 2008 as Executive Director and is currently Executive Director of Messrs Horwath and also Director of Horwath Corporate Advisory Sdn. Bhd.

She is a member of the Audit, Nomination and Remuneration Committees.

She does not hold any other directorship of public companies. She has no family relationship with any director and/or major shareholders of the Company. She does not have any conflict of interest with the Company and has not been convicted for any offences within the past 10 years.

Foo Lee Khean
Independent Non-Executive Director

Foo Lee Khean, a Malaysian, aged 46, was appointed to the Board of Directors of SMIS on 26 November, 2007, as an Independent Non-Executive Director.

He is a Fellow Member of the Chartered Institute of Management Accountant, United Kingdom and Malaysia Institute of Accountants. He started his career with Coopers & Lybrand Malaysia in 1987 in the restructuring and recovery department before leaving as a Senior Associate in 1989 to join PriceWaterhouse ("PwC"), Singapore, also in the restructuring and recovery department. He left PwC in 1990 to join Arthur Andersen, Singapore before being transferred to Arthur Andersen, Malaysia in 1992 in the corporate recovery and corporate finance division.

His responsibility includes handling forensic audit, general receivership, merger and acquisitions as well as corporate finance activities such as IPOs, fund raising exercise and debt restructuring. He was the Director- Corporate Finance of Ernst & Young in 2002 following the merger of Arthur Andersen with Ernst & Young in same year before leaving in 2005 to join as a partner of Strategic Capital Advisory.

He also serves as Director of Nakamichi Corporation Berhad. He is a member of the Audit Committee.

He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has not been convicted for any offences within the past 10 years.

Details of attendance of Board Meetings
The details of attendance of each Director at Board Meetings are set out on page 13 of the Annual Report.

Chairman's Statements

CHAIRMAN'S STATEMENTS

On behalf of the Board of SMIS Corporation Berhad ("SMIS" or "the Company"), it gives me great pleasure to present the Annual Report and Audited Financial Statements of SMIS and its subsidiary companies ("SMIS Group" or "Group") for the financial year ended 31 December 2008.

INDUSTRY OVERVIEW

After registering favorable growth in first half 2008, Malaysia experienced slower growth as domestic demand and external conditions weakened. The Total Industry Volume (TIV) of new motor vehicles registered in Malaysia for 2008 increased by 12.5% as compared to 2007.

The global economic outlook deteriorated sharply in fourth quarter 2008 mainly attributed to the adverse impact of global financial crisis. Weak consumer sentiment due to uncertainty over employment will push potential car buyers to defer their purchases to indefinite period and will most likely see the auto industry registering negative growth in 2009 as forecasted by the Malaysian Automotive Association.

FINANCIAL HIGHLIGHTS

Group revenue for the year ended 31 December 2008 was RM81.3 million, representing 14.7% increase compared to the previous corresponding financial year. Profit before tax recorded significant improvement, the Group managed to post RM3.4 million pretax profit as compared to pretax loss of RM0.09 million for the year ended 31 December 2007. Higher revenue in the current year under review was mainly due to higher sales contribution from machinery parts trading and automotive manufacturing divisions.

The net profit after tax for the financial year ended 31 December 2008 stood at RM0.79 million as compared to a net loss of RM1.04 million in the previous financial year. The higher net profit registered is primarily attributed to higher revenues and improvement in profit margin achieved.

PROSPECTS

The global financial disruptions since fourth quarter 2008 have sharply increased uncertainty and downside risks for the global economy. SMIS foresees its sales momentum for the automotive manufacturing division to be weaker. However, the Company will look into possible measures to improve efficiency and manage cost effectively in a bid to sustain reasonable returns to maximize shareholders' value.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to all our dedicated and loyal staff for their conscientious efforts and commitment throughout the year to enable the Group to achieve a better financial standing than before.

I would also like to thank our valued shareholders, business associates, suppliers, and financiers for their continued support and faith in SMIS.

Last but not least, my heartfelt appreciation goes to my fellow directors for their invaluable guidance and commitment contributed to the Company.

Thank you.

Mohamed Ghazali Bin Kamal Baharein
Chairman

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") of SMIS Corporation Berhad ("the Company") remains committed to ensure that the highest standards of corporate governance are practiced throughout the Group to protect and enhance shareholders' value and to improve its financial performance. The Board is therefore pleased to provide the following statement, which outlines how the Group has applied the principles laid down in Part 1 of the Malaysian Code on Corporate Governance which was revised in 2007 ("the Code") and the extent of compliance with the best practices set out in Part 2 of the Code during the financial year save where otherwise identified and has been approved by the Board of Directors on 16 April 2009.

BOARD OF DIRECTORS

(a) Board Composition and Balance

The Board has eight (8) members which comprises of four (4) Executive Directors and four (4) Independent Non-Executive Directors. This composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad that requires at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, to be independent. A brief profile of each Director is presented on pages 6 to 8 of the Annual Report.

The Executive Directors are primarily responsible for the implementation of policies and decisions of the Board, overseeing the Group's operations and development of the Group's business strategies.

The Independent Non-Executive Directors provide a broader view and independent assessment to the Board's decision making process by acting as an effective check and balance.

The Board is satisfied that the current Board composition fairly reflects the investment of the minority shareholders and represents a balanced mixed of skills and experience to discharge the Board's duties and responsibilities.

The Board has appointed Mr Danny Ng Siew L'Leong as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

(b) Duties and Responsibilities

The Board assumes full responsibility over the overall performance of the Company and the Group by discharging its stewardship responsibilities through providing strategic leadership, overseeing the conduct of the Company's business, identification and management of principal risks, reviewing the adequacy and integrity of the Company's internal control systems and developing an investor relations program. The Board has also delegated specific responsibilities to the Board Committees, all of which discharge the duties and responsibilities within their specific terms of reference.

The roles of the Chairman and Chief Executive Officer ("CEO") are clearly distinct for effective balance of power and authority. The Chairman is primarily responsible for the Board's effectiveness and conduct and ensuring timely and necessary information is provided to its' members whilst the CEO is responsible for the daily management of the Group's operations and implementation of policies and strategies adopted by the Board. The responsibilities of the CEO are assumed by the Executive Directors in charge of the respective business activities of the Group.

(c) Board Meetings

During the financial year ended 31 December 2008, the Board met 5 times to deliberate and considers matters pertaining to the Group's financial performance, significant investments, corporate development, strategic issues and business plans. The attendance records of the Directors who held office are as follows:-

Name of Directors	No. of Meetings Attended
Mohamed Ghazali bin Kamal Baharein (Chairman)	4/5
Danny Ng Siew L'Leong	5/5
Pauline Teh @ Pauline Teh Abdullah	5/5
Foo Lee Khean	4/5
Mohd Riani Bin Osman	4/5
Ng Wai Kee	4/5
Yap Siew Foong	4/5
Cham Bee Sim	5/5

(d) Supply of Information

All Board members are supplied with information on a timely manner. The Board meetings are structured with a pre-set agenda which encompasses all aspects of matters under discussion. Board reports are circulated well in advance of the Board meetings for their deliberation. All meetings of the Board are duly recorded in the Board minutes by the Company Secretary. The Company Secretary also attended all the Board Meetings of the Company. Where required, Senior Management may be invited to attend these meetings to explain and clarify on the matters tabled.

In exercising their duties, the Board has unfettered access to all information within the Group, the advice and services of the Company Secretary and independent professional advice where necessary, at the Company's expense.

(e) Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad.

The Board acknowledges that continuous education is essential for the Directors to further enhance their skills and knowledge. However, due to their busy schedule, none of the Directors have attended any training for the financial year ended 31 December 2008. The Directors are committed to the continuous education program and will endeavor to fulfill their training requirements for the financial year ending 31 December 2009.

(f) Appointment and Re-election of Directors

The Nomination Committee, which comprises entirely of Independent Non-Executive Directors is responsible for making recommendations for any new appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills, knowledge, expertise and experience, professionalism, integrity as well as the candidates' ability to discharge responsibilities/function as expected from the Board. Any new nomination received is put to the full Board for assessment and endorsement.

Board members who are newly appointed by the Board are subject to retirement at the Annual General Meeting ("AGM") of the Company. Article 103 of the Company's Articles of Association provide that at least one-third (1/3) of the Directors shall retire by rotation at each AGM and all Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

(g) Board Committees

The Board Committees were established to assist the Board in discharging its responsibilities as set out below with their terms of reference approved by the Board. They are as follows:

<u>Audit Committee</u>

The terms of reference, the number of meetings held during the financial year and the attendance of each member can be found on pages 19 to 22 of the Audit Committee Report.

<u>Nomination Committee</u>

The Nomination Committee has three (3) members, all of whom are Independent Non-Executive Directors. They are tasked with the responsibility of proposing new nominees to the Board and for assessing each director on an ongoing basis. The Board, through the Nomination Committee continuously reviews and assesses its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board, and the size and composition of the Board to ensure that it has the appropriate mix of skills and competencies to lead the Group effectively.

For the financial year ended 31 December 2008, the Nomination Committee has met once with full attendance of its members. It had also performed assessments on the effectiveness of the board as a whole, the committees of the board and the contribution of each individual director, including Independent Non-Executive Directors and these assessments were documented.

<u>Remuneration Committee</u>

The Remuneration Committee comprises of four (4) members, with the majority being Independent Non-Executive Directors. They recommend to the Board the remuneration packages of the Executive Directors. Such packages are designed to attract, retain and motivate the Directors, and are reflective of their experience and level of responsibilities. The remuneration of the Executive Directors are reviewed annually.

The Board as a whole determines the remuneration of the Non-Executive Directors. None of the individual Directors participate in determining their individual remuneration.

The Remuneration Committee met once during the year under review and the meeting was attended by all members.

DIRECTORS' REMUNERATION

Details of the remuneration of Directors of the Company during the financial year ended 31 December 2008 are as follow:

Aggregate remuneration:

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Basic Salary	981,600	-	981,600
Bonuses	104,800	-	104,800
Fees	152,000	101,973	253,973
Attendance fee	3,000	16,000	19,000
Others	212,086	-	212,086
Total	1,453,486	117,973	1,571,459

Number of Directors whose remuneration fall into the following bands

	No. of Executive Directors	No. of Non-Executive Directors	Total
RM1 to RM50,000	-	4	4
RM150,001 to RM200,000	1	-	1
RM250,001 to RM300,000	3	-	3
Total	4	4	8

The details of the individual Director's remuneration are not disclosed in this report as the Board considers the above disclosures satisfy the accountability and transparency aspects of the Code.

SHAREHOLDERS

(a) Shareholders and Investor Relations

The Company acknowledges that an effective investor relationship is essential in enhancing value to its shareholders. To that end, the Board provides the Company's shareholders with timely releases of the financial results on a quarterly basis, press releases and announcements on the Group's performance. Whilst the Company endeavors to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.

Corporate and financial information of the Group are also made available to shareholders and the public through the Group's website at www.smis.com.my.

(b) Annual General Meeting ("AGM")

The AGM is the principal forum for dialogue with the shareholders. The shareholders would have direct access to the Directors and are provided with sufficient opportunity and time to participate through questions on the prospects, performance of the Group and other matters of concern. Members of the Board as well as the external auditors will be present to answer and provide the appropriate clarifications at the meeting.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's financial position and prospects by making sure the financial statements and quarterly announcements are prepared in accordance to the provisions of the Companies Act, 1965 and applicable approved accounting standards.

The Statement of Responsibility by the Directors in respect of the preparation of the annual audited accounts can be found on page 25 of this Annual Report.

(b) Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal controls in the Group and the Company. However, these controls can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. Information on the Group's internal control is disclosed in the Statement on Internal Control set out on pages 23 to 24 in the Annual Report.

(c) Relationship with Auditors

The Board maintains a transparent and professional relationship with the Group's external auditors. The role of the Audit Committee in relation to the external auditors is explained in the Audit Committee Report on pages 19 to 22 of the Annual Report.

OTHER INFORMATION

(a) Corporate Social Responsibility (CSR)

The Company recognizes its commitment to contribute positively to the society. Thus, in August 2008, the Company supported the "Academic Excellence Awards" organized by the Group HR to reward children of the employees who have excelled in studies.

(b) Share Buy-Back

The details of shares bought back and retained as treasury shares during the financial year ended 31 December 2008 are set out as belows:-

	Number of SMIS Shares Purchased	Highest Price RM	Lowest Price RM	Average Price RM	Total Amount Paid RM
Jan-08	80,000	0.460	0.435	0.452	36,471
Feb-08	55,000	0.445	0.430	0.441	24,550
Mar-08	73,000	0.450	0.380	0.405	29,977
Apr-08	82,000	0.380	0.340	0.359	29,952
May-08	40,000	0.380	0.360	0.372	15,116
Jun-08	110,900	0.400	0.360	0.378	42,527
Jul-08	174,500	0.395	0.360	0.376	66,368
Aug-08	136,700	0.390	0.360	0.377	52,409
Sep-08	58,500	0.380	0.360	0.379	22,626
Oct-08	141,300	0.380	0.310	0.366	52,541
Nov-08	29,200	0.350	0.290	0.317	9,794
Dec-08	18,800	0.330	0.300	0.326	6,498
Total	999,900				388,829

(c) Options, Warrants or Convertible Securities

There were no option, warrants or convertible securities exercised during the financial year under review.

(d) Material Contracts involving Directors' and Major Shareholders' Interests

There were no contracts involving Directors' and Major Shareholders' interests which are or may be material, not being contracts entered into in the ordinary course of business, which have been entered into by the Company and its subsidiary companies since the end of the previous financial year.

(e) Recurrent Related Party Transactions

The details of the transactions with related parties undertaken by the Company during the financial period are disclosed in note 27 on pages 69 to 70 of the notes to the financial statements and in the Circular to Shareholders, dated 7 May 2009.

(f) Non-Audit Fees

The non-audit fees paid to external auditors for the current financial year amounted to RM10,000.

(g) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company, Directors or Management by the relevant regulatory authorities during the financial year.

(h) American Depository Receipt ("ADR") and Global Depository Receipt ("GDR")

There were no ADR or GDR program sponsored by the Company during the financial year.

(i) Variance of Actual Profit from the Forecast Profit

There was no profit estimation, forecast or projecction made or released by the Company during the financial year under review.

There were no variance of 10% or more between the audited results and the unaudited results announced pertaining to the financial year.

(j) Profit Guarantee

There was no profit guarantee given by the Company during the financial year under reviewed.

(k) Revaluation Policy

The Company has not made any revaluation policy or revaluation on its landed properties during the financial year.

(l) Utilisation of Proceeds

There were no proceeds raised from any proposal during the financial year.

AUDIT COMMITTEE REPORT

The Board of the Company is pleased to present the Audit Committee Report for the financial year ended 31 December 2008.

1. ATTENDANCE AT MEETINGS

The members of the Audit Committee and details of their attendance at meetings held during the financial year are as follows:

Members	No. of Meetings Attended
Danny Ng Siew L'Leong (Chairman, Senior Independent Non-Executive Director)	5/5
Pauline Teh @ Pauline Teh Abdullah (Independent Non-Executive Director)	5/5
Foo Lee Khean (Independent Non-Executive Director)	4/5

During the financial year ended 31 December 2008, the Audit Committee has met the external auditors twice without the present of Executive Directors and management.

2. AUDIT COMMITTEE (TERMS OF REFERENCE)

2.1 OBJECTIVES

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Audit Committee shall:-

a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;

b) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and

c) Determine the adequacy of the Group's administrative, operating and accounting controls.

2.2 COMPOSITION

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:-

a) the audit committee must be composed of no fewer than 3 members;

b) all members of the audit committee should be Non-Executive Directors;

c) a majority of the audit committee must be independent directors; and

d) all members of the audit committee should be financially literate and at least one member of the audit committee:-

   i) must be a member of the Malaysian Institute of Accountants; or

   ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-

      • he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or

      • he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967, or

iii) he must be a person who fulfills the requirements as may be prescribed or approved by Bursa Malaysia Securities Berhad and/or other relevant authorities from time to time.

e) No alternate Director of the Board shall be appointed as a member of the Committee.

The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 2 (a) to (d) above, the vacancy must be filled within 3 months of that event.

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

2.3 FUNCTIONS

The functions of the Audit Committee are as follows:-

a) to review the following and report the same to the Board of Directors:-

i) with the external auditors, the audit plan;

ii) with the external auditors, his evaluation of the system of internal controls;

iii) with the external auditor, his audit report;

iv) the assistance given by the Company's employees to the external auditors; and

v) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.

b) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal and the letter of resignation from the external auditors, if applicable;

c) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

d) To review the quarterly and year-end financial statements of the company, focusing particularly on:-

- Any changes in accounting policies and practices;
- Significant adjustments arising from the audit;
- The going concern assumption;
- Compliance with accounting standards and other legal requirements;

e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);

f) To review the external auditor's management letter and management's response;

g) To do the following, in relation to the internal audit function:-

- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action are taken on the recommendations of the internal audit function;
- Review any appraisal or assessment of the performance of members of the internal audit function;
- Approve any appointments or termination of senior staff members of the internal audit function;
- Take cognisance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

h) To consider the major findings of internal investigations and management's response;

i) To ensure the internal audit function is independent of the activities it audits and the head of internal audit reports directly to the Audit Committee. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company;

j) To consider other areas as defined by the board or as may be prescribed by Bursa Malaysia Securities Berhad or any other relevant authority from time to time.

2.4 RIGHTS OF THE AUDIT COMMITTEE

The Audit Committee shall, wherever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

a) have authority to investigate any matter within its terms of reference;

b) have the resources which are required to perform its duties;

c) have full and unrestricted access to any information pertaining to the Company and Group;

d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

e) be able to obtain independent professional or other advice; and

f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

The Chairman of the audit committee shall engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the financial director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

2.5 MEETINGS

The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least twice a year the Audit Committee shall meet with the external auditors without executive Board members present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

By invitation of the Audit Committee, the Company must ensure that other directors and employees attend any particular audit committee meeting specific to the relevant meeting.

3. SUMMARY OF ACTIVITIES

The Audit Committee had carried out the following activities during the financial year:

(a) Reviewed the Audit Planning Memorandum of the external auditors and the scope of their audits, including any changes to the scope of the audit plan;

(b) Reviewed the quarterly and half-yearly unaudited financial results of the Group prior to recommending them for approval by the Board;

(c) Reviewed the annual audited financial statements of the Group with the external auditors prior to tabling to the Board for their consideration and approval;

(d) Reviewed the adequecy of the scope, function, competency and resources of the Internal Audit functions.

(e) Reviewed the performance of the external auditors and made recommendations to the Board on their appointment and remuneration.

(f) Reviewed and approved the internal audit plan prepared by the Internal Audit function;

(g) Reviewed the internal audit reports, recommendations made and Management's response to these recommendations;

(h) Monitored the corrective actions on outstanding audit issues to ensure all the control lapses have been addressed and rectified.

(i) Reviewed the Group's Updated Key Risk Profile ("KRP").

(j) Reviewed the related party transactions entered into by the Company and the Group and considered conflict of interest situations that may arise.

4. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to external consultants. The outsourced internal auditors assist the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems. They report directly to the Audit Committee. The scope of review of the outsourced internal audit function is determined and approved by the Audit Committee with feedback from Executive Management. The cost of the internal audit function for the year ended 2008 was RM45,000.

During the financial year, the activities performed by the outsourced internal audit function include:

(a) regular review of business processes in accordance with the internal audit plan approved by the Committee;

(b) reporting the results of internal audit reviews and provide recommendations for improvement to the Committee on a periodic basis;

(c) followed up on the implementation of audit recommendations and action plans agreed upon by Management; and

(d) facilitated the updating of the Group's Key Risk Profile.

The internal audits conducted did not reveal significant weaknesses which would result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

During the year ended 2008 the Group also identified a Head of Internal Audit.

5. TRAINING

During the financial year ended 31 December 2008, the Audit Committee Members did not attend any training due to their busy schedule. The Audit Committee Members are committed to attend relevent training program for the financial year ending 31 December 2009.

This report is made in accordance with the approval of the Board of Directors dated 16 April 2009.

INTRODUCTION

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad's Listing Requirements, the Board of Directors of SMIS Corporation Berhad is pleased to report to the shareholders the state of internal control that affected the Group during the period under review. The statement on internal control has been prepared in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

BOARD RESPONSIBILITY

The Board acknowledges their responsibility for the Group's system of internal controls, which includes the establishment of an appropriate control environment and framework, reviewing the integrity, effectiveness and adequacy of these systems to ensure that the Group's assets and the shareholders' interests are safeguarded.

Due to the inherent limitations in any system of internal control, the system put in place by management can only reduce rather than eliminate all risks of failure to achieve the Group's business objectives. Consequently, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

Risk management is regarded by the Board to be an integral part of the Group's business operations. The Heads of Department are responsible for managing the risks of their respective departments. The key risks relating to the Group's operations and business plans are addressed at management's periodic meetings. Significant risks identified are escalated to the Board at their scheduled meetings.

Management with the assistance of external consultants had updated the Group's key risk profile on 20 May 2008. Risks identified are prioritized in terms of likelihood of their occurrence and the impact on the achievement of the Group's business objectives. The key risk profile is updated annually to ensure that all key risks are identified and adequate action plans are developed to mitigate such risks. The updated key risk profile is tabled to the Audit Committee on 29 May 2008.

The abovementioned practices/initiatives by management serves as the on-going process used to identify, evaluate and manage significant risks.

INTERNAL AUDIT

The Group's internal audit function is outsourced to external consultants to assist the Board and the Audit Committee in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 December 2008, internal audit was carried out in accordance with the internal audit plan approved by the Audit Committee. The results of the internal audit reviews and the recommendations for improvement were presented to the Audit Committee at their quarterly meetings. Based on the results of the internal audit reviews, identified weaknesses in internal control have been appropriately addressed and Senior Management will continue to ensure that appropriate action is taken to enhance and strengthen the internal control environment.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Company's internal control systems are as follows:

- An organizational structure, which clearly defines the lines of responsibility, proper segregation of duties and delegation of authority;
- Rigorous review of key information such as financial performance, key business indicators, management accounts and detailed budgets by the Board and the Audit Committee;
- The Executive Directors are closely involved in the running of business and operations of the Group. They report to the Board on significant changes in the business and external environment, which may affect the operations of the Group at large;
- Operations review meetings are held by the management on a monthly basis to monitor the progress of the business operations, deliberate significant issues and formulate appropriate measures; and
- Certain of the Group's operations are certified by ISO 9001:2000 and TS 16949. With such certifications, reviews are conducted by external parties particularly to ensure compliance with the terms and conditions of the respective certifications.

CONCLUSION

During the year under review, the Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control.

This statement was approved by the Board of Directors on 16 April 2009.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is fully accountable to ensure that the financial statements are drawn up in accordance with Companies Act, 1965 and the applicable approved accounting standards set by Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2008 and of the results and cash flows of the Group and Company for the financial year ended on that date.

In the preparation of the financial statements, the Directors have:

a) applied relevant and appropriate accounting policies consistently and in accordance with applicable approved accounting standards;

b) made judgements and estimates that are prudent and reasonable; and

c) used the going concern basis for the preparation of the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept in accordance with the Act. The Directors also have overall responsibility in taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Financial Statements

for the year ended 31 December 2008

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2008.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. Except for the discontinued operation as stated in Note 7 to the financial statements, there has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit/(Loss) for the year from continuing operations	2,274	(960)
Loss for the year from discontinued operation	(1,489)	-
Profit/(Loss) for the year	785	(960)
Profit/(Loss) attributable to:		
Shareholders of the Company	785	(960)
Minority interest	-	-
Profit/(Loss) for the year	785	(960)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

Dividends

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

Directors of the Company

Directors who served since the date of the last report are:

Mohd Riani Bin Osman
Ng Wai Kee
Yap Siew Foong
Cham Bee Sim
Danny Ng Siew L'Leong
Pauline Teh @ Pauline Teh Abdullah
Mohamed Ghazali bin Kamal Baharein
Foo Lee Khean

Directors' interests

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2008	Bought	Sold	At 31.12.2008
Direct interest in the Company				
Mohd Riani bin Osman	2,389,336	-	-	2,389,336
Ng Wai Kee	700,900	-	-	700,900
Yap Siew Foong	1,263,730	-	-	1,263,730
Cham Bee Sim	249,572	-	-	249,572
Indirect interest in the Company				
Ng Wai Kee	15,680,000	-	-	15,680,000
Yap Siew Foong	15,680,000	-	-	15,680,000
Cham Bee Sim	15,680,000	-	-	15,680,000

By virtue of their interest in the ordinary shares of the Company, Mohd Riani bin Osman, Ng Wai Kee, Yap Siew Foong and Cham Bee Sim are also deemed interested in the ordinary shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2008 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 27 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Treasury shares

During the financial year, the Company repurchased 999,900 of its issued ordinary shares from the open market at an average price of RM0.39 per share. The total consideration paid for the repurchased including transaction costs was RM388,800. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2008, the Group held 2,152,000 (2007 - 1,152,100) of the Company's shares. The number of outstanding ordinary shares of RM1 each in issue after the setoff is 42,648,000 (2007 - 43,647,900).

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

On 23 January 2009, the Company disposed its entire equity interest in a subsidiary, Kyoto Energy Pte. Ltd, for a total cash consideration of SGD500,000, which is equivalent to RM1,194,000. The disposal was completed in March 2009.

On 30 March 2009, the Company subscribed for an additional 221,270 new ordinary shares of RM1.00 each at par in the share capital of Sugihara Grand Industries Sdn. Bhd., a subsidiary of the Company ("SUGI"). The subscription had increased the shareholding of the Company in SUGI from 2,365,534 ordinary shares of RM1.00 each to 2,586,804 ordinary shares of RM1.00 each, which represents 60% of the total enlarged issued share capital of SUGI.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Mohd Riani bin Osman

....
Ng Wai Kee

Kuala Lumpur, Malaysia

Date: 16 April 2009

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 35 to 72 are drawn up in accordance with Financial Reporting Standards and Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2008 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Mohd Riani bin Osman

....

Ng Wai Kee

Kuala Lumpur, Malaysia

Date: 16 April 2009

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, **Ng Wai Kee,** the Director primarily responsible for the financial management of SMIS Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 35 to 72 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 16 April 2009.

……………………………………………….

Ng Wai Kee

Before me:

P. Thurirajoo W438
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of SMIS Corporation Berhad

Report on the Financial Statements

We have audited the financial statements of SMIS Corporation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 72.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Lim Hun Soon @ David Lim
Approval Number: 1514/05/10(J)
Chartered Accountant

Petaling Jaya, Malaysia
Date: 16 April 2009

BALANCE SHEET
as at 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Assets					
Property, plant and equipment	3	23,760	24,926	2	3
Goodwill on consolidation	4	710	1,499	-	-
Prepaid lease payments	5	2,010	2,046	-	-
Investment properties	6	1,391	1,432	-	-
Investment in subsidiaries	7	-	-	53,102	54,118
Other investments	8	11,823	11,759	2,779	2,732
Deferred tax assets	9	718	733	-	-
Total non-current assets		40,412	42,395	55,883	56,853
Receivables, deposits and prepayments	10	20,489	22,744	-	3
Inventories	11	15,315	12,661	-	-
Current tax assets		53	258	-	27
Assets classified as held for sale	12	1,219	-	379	-
Cash and cash equivalents	13	5,613	3,683	237	735
Total current assets		42,689	39,346	616	765
Total assets		83,101	81,741	55,499	57,618
Equity					
Share capital	14	44,800	44,800	44,800	44,800
Reserves	14	19,019	18,669	6,168	7,516
Total equity		63,819	63,469	50,968	52,316
Minority shareholders' interest		-	-	-	-
Total equity		63,819	63,469	50,968	52,316
Liabilities					
Deferred tax liabilities	9	1,039	934	-	-
Total non-current liability		1,039	934	-	-
Payables and accruals	15	17,077	16,752	5,531	5,302
Loans and borrowings	16	-	437	-	-
Liabilities classified as held for sale	12	774	-	-	-
Current tax liabilities		392	149	-	-
Total current liabilities		18,243	17,338	5,531	5,302
Total liabilities		19,282	18,272	5,531	5,302
Total equity and liabilities		83,101	81,741	56,499	57,618

The notes on pages 41 to 72 are an integral part of these financial statements.

INCOME STATEMENTS

for the year ended 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000 Restated	Company 2008 RM'000	Company 2007 RM'000
Continued operations					
Revenue		81,257	70,818	-	-
Cost of sales		(67,218)	(61,524)	-	-
Gross profit		14,039	9,294	-	-
Other operating income		329	759	49	1
Distribution expenses		(1,053)	(767)	-	-
Administrative expenses		(7,489)	(7,425)	(371)	(321)
Other operating expenses		(2,324)	(1,856)	(638)	(2,436)
Operating profit/(loss)	17	3,502	5	(960)	(2,756)
Interest income		-	42	-	5
Finance costs	19	(112)	(140)	-	-
Profit/(Loss) before tax		3,390	(93)	(960)	(2,751)
Tax expense	20	(1,116)	(273)	-	-
Profit/(Loss) for the year from continuing operations		2,274	(366)	(960)	(2,751)
Discontinued operation					
Loss from discontinued operation	21	(1,489)	(678)	-	-
		785	(1,044)	(960)	(2,751)
Attributable to:					
Shareholders of the Company		785	(898)	(960)	(2,751)
Minority interests		-	(146)	-	-
Profit/(Loss) for the year		785	(1,044)	(960)	(2,751)
Basic earnings/(losses) per ordinary share (sen):	22				
from continued operations		5.27	(0.50)		
from discontinued operations		(3.45)	(1.54)		
		1.82	(2.04)		

The notes on pages 41 to 72 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total Equity RM'000
		Attributable to shareholders of the Company							
		Non-distributable				Distributable			
At 1 January 2007		44,800	4,891	(246)	-	15,251	64,696	-	64,696
Purchase of treasury share at cost		-	-	(333)	-	-	(333)	-	(333)
Acquisition of a foreign subsidiary	27	-	-	-	-	-	-	143	143
Foreign exchange translation differences		-	-	-	4	-	4	3	7
Loss for the year		-	-	-	-	(898)	(898)	(146)	(1,044)
At 31 December 2007/ 1 January 2008		44,800	4,891	(579)	4	14,353	63,469	-	63,469
Purchase of treasury share at cost		-	-	(388)	-	-	(388)	-	(388)
Foreign exchange translation differences		-	-	-	(47)	-	(47)	-	(47)
Profit for the year		-	-	-	-	785	785	-	785
At 31 December 2008		44,800	4,891	(967)	(43)	15,138	63,819	-	63,819
		Note 14		Note 14	Note 14				
Company									
At 1 January 2007		44,800	4,891	(246)	-	5,955	-	-	55,400
Purchase of treasury share at cost		-	-	(333)	-	-	-	-	(333)
Loss for the year		-	-	-	-	(2,751)	-	-	(2,751)
At 31 December 2007/ 1 January 2008		44,800	4,891	(579)	-	3,204	-	-	52,316
Purchase of treasury share at cost		-	-	(388)	-	-	-	-	(388)
Loss for the year		-	-	-	-	(960)	-	-	(960)
At 31 December 2008		44,800	4,891	(967)	-	2,244	-	-	50,968
		Note 14		Note 14		Note 14			

The notes on pages 41 to 72 are an integral part of these financial statements.

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Cash flows from operating activities				
Profit/(Loss) before tax				
Continuing operations	3,390	(93)	(960)	(2,751)
Discontinued operations	(1,489)	(678)	-	-
Adjustments for:				
Allowance for doubtful debts	5	15	-	-
Amortisation of prepaid lease payments	36	36	-	-
Bad debts written off	-	83	-	-
Depreciation of investment properties	41	41	-	-
Depreciation of property, plant and equipment	3,721	3,561	1	1
Plant and equipment written off	2	-	-	-
Gain on disposal of investment properties	-	(83)	-	-
Gain on disposal of property, plant and equipment	(51)	(146)	-	-
Gain on disposal of other investments	-	(93)	-	22
Interest expense	31	34	-	-
Interest income	-	(42)	-	(5)
Impairment loss on goodwill	789	-	-	-
Impairment loss on investment in subsidiaries	-	-	637	2,366
Impairment loss on property, plant and equipment	-	13	-	-
Reversal of allowance for doubtful debts	(4)	(1)	-	-
Reversal of allowance for diminution in value of other investment	(64)	64	(47)	47
Unrealised foreign exchange gain	-	(12)	-	-
Operating profit/(loss) before changes in working capital	6,407	2,699	(369)	(320)
Changes in working capital:				
Inventories	(2,654)	(1,480)	-	-
Payables and accruals	880	4,843	229	9
Receivables, deposits and prepayments	1,997	(6,872)	3	12
Cash generated from/(used in) operations	6,630	(810)	(137)	(299)
Interest paid	(31)	(34)	-	-
Tax refunded	232	1,623	27	-
Tax paid	(779)	(445)	-	-
Net cash generated from/(used in) operating activities	6,052	334	(110)	(299)

		Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash flows from investing activities					
Acquisition of other investments	(i)	-	(22,242)	-	(5,198)
Acquisition of a foreign subsidiary, net of cash acquired		-	39	-	-
Acquisition of property, plant and equipment	(ii)	(2,381)	(1,736)	-	-
Interest received		-	42	-	5
Investment in subsidiaries		-	-	-	(1,017)
Proceeds from disposal of investment properties		-	350	-	-
Proceeds from disposal of other investments	(i)	-	10,512	-	2,397
Proceeds from disposal of property, plant and equipment		56	291	-	-
Net cash used in investing activities		(2,331)	(12,744)	-	(3,813)
Cash flows from financing activities					
Purchase of treasury shares at cost		(388)	(333)	(388)	(333)
Repayment of finance lease liabilities		-	(48)	-	-
Net cash used in financing activities		(388)	(381)	(388)	(333)
Net increase/(decrease) in cash and cash equivalents		3,333	(12,791)	(498)	(4,445)
Effect of exchange rate fluctuation on cash held		(49)	7	-	-
Cash and cash equivalents at 1 January		3,246	16,030	735	5,180
Cash and cash equivalents at 31 December	(iii)	6,530	3,246	237	735

Notes to cash flow statements

i) *Acquisition and disposal of other investments*

In 2007, included in proceeds from disposal of other investments of the Group and of the Company are amounts of RM9,243,000 and RM1,198,000 respectively reinvested in acquisition of other investments during the year. Transaction costs of the Group and of the Company amounting to RM70,000 and Nil respectively were incurred to facilitate the reinvestment process.

ii) *Acquisition of property, plant and equipment*

During the year, the Group acquired property, plant and equipment amounting to RM2,607,000 (2007 - RM1,888,000) of which RM220,000 (2007 - RM152,000) was accrued for.

iii) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and bank balances	13	5,613	3,683	237	735
Bank overdrafts - secured	16	-	(437)	-	-
		5,613	3,246	237	735
Cash and bank balances classified as held for sale	12	917	-	-	-
		6,530	3,246	237	735

The notes on pages 41 to 72 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SMIS Corporation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office
Lot 6.05, Level 6, KPMG Tower, 8 First Avenue,
Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan

Principal place of business
No. 19, Jalan Dua, Off Jalan Chan Sow Lin,
55200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2008 do not include other entities.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

The financial statements were approved by the Board of Directors on 16 April 2009.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Group and the Company have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective date
FRS 4, *Insurance Contracts*	1 January 2010
FRS 7, *Financial Instruments: Disclosures*	1 January 2010
FRS 8, *Operating Segment*	1 July 2009
FRS 139, *Financial Instruments: Recognition and Measurement*	1 January 2010
IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 January 2010
IC Interpretation 10, *Interim Financial Reporting and Impairment*	1 January 2010

The Group and the Company plan to apply the abovementioned FRSs / Interpretations from the annual period beginning 1 January 2010.

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. Other than the implications as discussed below, the initial application of the above standards (and its consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

FRS 8, *Operating Segment*
FRS 8 will become effective for financial statements for the year ending 31 December 2010. FRS 8, which replaces FRS 114, *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see note 23). The application of FRS 8 is not expected to have any material impact on the financial statement of the Group and the Company.

1. **Basis of preparation** ***(continued)***

   (a) Statement of compliance ***(continued)***

   IC Interpretation 10, *Interim Financial Reporting and Impairment*

   IC Interpretation 10 prohibits the reversal of an impairment loss recognised in an interim period during the financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IC Interpretation 10 will become effective for the financial statements for the year ending 31 December 2010, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group and the Company first applied the measurement criteria of FRS 136 and FRS 139 respectively. The adoption of IC Interpretation 10 would not have significant impact to the Group and Company.

   FRS 4 and IC Interpretation 9 are not applicable to the Group and the Company, hence no further disclosure warranted.

   (b) Basis of measurement

   The financial statements have been prepared on the historical cost basis except for the non-current assets and disposal group held for sale as explained in accounting policy note 2 (j).

   (c) Functional and presentation currency

   These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

   (d) Use of estimates and judgements

   The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

   Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

   There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in the following notes:

   - Note 6 - valuation of investment properties
   - Note 9 - recognition of unutilised tax losses and capital allowances
   - Note 26 - contingency
   - Note 28 - business combination

2. **Significant accounting policies**

   The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities.

   (a) Basis of consolidation

   (i) Subsidiaries

   Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

2. Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(i) Subsidiaries (continued)

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is held for sale.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

When a Group purchases a subsidiary's equity shares from minority interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets (excluding goodwill) of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of the losses previously absorbed by the Group has been recovered.

(iv) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with subsidiaries are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies *(continued)*

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are translated at exchange rate at the date of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(c) Property, plant and equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" or "other operating expenses" respectively in the income statement.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

2. Significant accounting policies *(continued)*

(c) Property, plant and equipment *(continued)*

(iii) Depreciation

Depreciation is recognised in the income statement on straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land and capital work-in-progress are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	50 years
• Plant and machinery	5 - 10 years
• Office equipment, furniture and fittings and renovation	3 - 50 years
• Motor vehicles	3 - 10 years
• Moulds and jigs	3 - 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(d) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating lease

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments, except for leasehold land classified as investment property.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(e) Intangible assets

(i) Goodwill

Goodwill arises on business combination and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisition beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

2. Significant accounting policies *(continued)*

(e) Intangible assets *(continued)*

(i) Goodwill (continued)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

(ii) Amortisation

Goodwill are tested for impairment annually and whenever there is an indication that they may be impaired.

(f) Investment in debt and equity securities

Investment in debt and equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value,

- All current investments are carried at the lower of cost and market value, determined on an aggregate portfolio or individual investment basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities and non-current debt securities other than investment in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

(i) the recognition of an asset on the day it is received by the entity, and
(ii) the derecognition on an asset and recognition of any gain or loss on disposal on the date if is delivered.

(g) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These includes land (other than leasehold land) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(c).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 50 years.

(ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

2. **Significant accounting policies** ***(continued)***

(g) **Investment properties** ***(continued)***

(ii) Determination of fair value (continued)

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 6.

(h) **Inventories**

Raw materials, work-in-progress and manufactured goods are measured at the lower of cost and net realisable value with first-in first-out being the main basis for cost. For work-in-progress and manufactured goods, cost includes an appropriate share of production overheads based on normal operating capacity. For trading goods, cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

In arriving at net realisable value, a write down is made, where necessary, for obsolete and slow moving items.

(i) **Receivables**

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(j) **Non-current assets held for sale**

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basic which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statements. Gains are not recognised in excess of any cumulative impairment loss.

(k) **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

2. **Significant accounting policies** ***(continued)***

(l) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated usually at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised.

(m) Share capital

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

(n) Employee benefits

Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employees Provident Fund is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. **Significant accounting policies** ***(continued)***

(o) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

(p) Provision

A provision is recognised if, as a result of a past event, the Group or the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(q) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(s) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(t) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(u) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

2. Significant accounting policies *(continued)*

(v) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance is treated as tax base of assets and is recognised as a reduction of tax expense as and when they are utilised.

(w) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statements is restated as if the operation had been discontinued from the start of the comparative period.

(x) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

Group	Note	Freehold land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings and renovations RM'000	Motor vehicles RM'000	Moulds and jigs RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2007		1,555	12,996	29,860	5,861	2,400	3,071	829	56,572
Acquisition through business combination		-	-	-	11	-	-	-	11
Additions		-	-	675	561	316	335	1	1,888
Disposals		-	-	-	(11)	(383)	(211)	-	(605)
Reclassifications		-	-	16	812	-	2	(830)	-
At 31 December 2007 / 1 January 2008		1,555	12,996	30,551	7,234	2,333	3,197	-	57,866
Additions		-	-	755	489	88	291	984	2,607
Disposals/write off		-	-	-	(4)	(102)	(26)	-	(132)
Effect of movements in exchange rates		-	-	-	3	-	-	-	3
Transfer to assets held for sale	12	-	-	-	(89)	-	-	-	(89)
At 31 December 2008		1,555	12,996	31,306	7,633	2,319	3,462	984	60,255
Depreciation and impairment losses									
At 1 January 2007									
Accumulated depreciation		-	-	16,884	3,766	1,645	2,172	-	27,363
Accumulated impairment loss		-	2,896	2,244	195	-	24	-	2,463
		-	2,896	19,128	3,961	1,645	2,196	-	29,826
Depreciation for the year	17	-	298	1,885	607	375	396	-	3,561
Impairment loss for the year	17	-	-	-	13	-	-	-	13
Disposals		-	-	-	(7)	(383)	(70)	-	(460)
Accumulated depreciation		-	3,194	18,769	4,366	1,637	2,498	-	30,464
Accumulated impairment loss		-	-	2,244	208	-	24	-	2,476
At 31 December 2007 / 1 January 2008		-	3,194	21,013	4,574	1,637	2,522	-	32,940
Depreciation for the year	17	-	298	1,986	687	347	403	-	3,721
Disposals/write off		-	-	-	(2)	(102)	(20)	-	(124)
Transfer to assets held for sale	12	-	-	-	(42)	-	-	-	(42)
Accumulated depreciation		-	3,492	20,755	5,009	1,882	2,881	-	34,019
Accumulated impairment loss		-	-	2,244	208	-	24	-	2,476
At 31 December 2008		-	3,492	22,999	5,217	1,882	2,905	-	36,495
Carrying amounts									
At 1 January 2007		1,555	10,100	10,732	1,900	755	875	829	26,746
At 31 December 2007 / 1 January 2008		1,555	9,802	9,538	2,660	696	675	-	24,926
At 31 December 2008		1,555	9,504	8,307	2,416	437	557	984	23,760

3. Property, plant and equipment *(continued)*

Company Cost	Note	Office equipment RM'000
At 1 January 2007/31 December 2008		9
Accumulated depreciation		
At 1 January 2007		5
Depreciation for the year	17	1
At 31 December 2007/1 January 2008		6
Depreciation for the year	17	1
At 31 December 2008		7
Carrying amounts		
At 1 January 2007		4
At 31 December 2007/1 January 2008		3
At 31 December 2008		2

3.1 The title to the freehold land of a subsidiary costing RM1,555,000 (2007 - RM1,555,000) is pending registration to the name of the subsidiary.

3.2 Certain freehold land and buildings of the Group costing RM14,249,000 (2007 - RM14,249,000) have been assigned/pledged to financial institutions as security for borrowings/banking facilities granted to the subsidiaries (Note 16).

3.3 The net book value of property, plant and equipment acquired under finance lease agreement is as follows:

	2008 RM'000	2007 RM'000
Motor vehicles	-	122

4. Goodwill on consolidation

Cost	Note	2008 RM'000	2007 RM'000
At 1 January		1,499	710
Acquisition through business combination	28	-	789
At 31 December		1,499	1,499
Impairment loss			
At 1 January		-	-
Impairment loss	17	789	-
At 31 December		789	-
Carrying amounts			
At 31 December		710	1,499

Impairment loss
Impairment loss has been recognized in other operating expenses of the income statements.

5. Prepaid lease payments

		Unexpired lease period of more than 50 years	
Group	Note	2008 RM'000	2007 RM'000
Long term leasehold land			
Cost			
At 1 January / 31 December		2,583	2,583
Amortisation			
At 1 January		537	501
Amortisation for the year	17	36	36
At 31 December		573	537
Carrying amounts			
At 31 December		2,010	2,046

Security
At 31 December 2008, long term leasehold land of the Group costing RM2,583,000 (2007 - RM2,583,000) has been assigned to a licensed bank for banking facilities granted to the subsidiaries (Note 16).

6. Investment properties

		Group	
Cost	**Note**	**2008 RM'000**	**2007 RM'000**
At 1 January		2,544	2,834
Disposal		-	(290)
At 31 December		2,544	2,544
Depreciation and impairment loss			
Accumulated depreciation		733	715
Accumulated impairment loss		379	379
At 1 January		1,112	1,094
Depreciation for the year	17	41	41
Disposal		-	(23)
Accumulated depreciation		774	733
Accumulated impairment loss		379	379
At 31 December		1,153	1,112
Carrying amounts			
At 31 December		1,391	1,432
Fair values			
At 31 December		1,867	1,874

Estimation uncertainty and key assumptions [o/s from management]

In 2007, the Group estimates the fair values of its investment properties based on the following key assumptions:-

- A range of yields varying between 8% and 12% to the estimated net annual rentals of each property to determine the fair value of the properties;

- The comparison of the Group's investment properties with similar properties that were sold within the same locality or other comparable localities;

- Enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

In 2008, the Group estimated the fair values of its investment properties based on Director's informal enquiries made with registered valuers.

Investment properties comprise a number of commercial properties that are leased to third parties. The lease is renewable on a yearly basis. No contingent rents are charged.

7. Investment in subsidiaries

		Company	
	Note	2008 RM'000	2007 RM'000
Unquoted shares, at cost:			
At 1 January		60,459	59,442
Acquisition through business combination	28	-	1,017
Loss: Accumalated impairment losses	17	(6,978)	(6,341)
		53,481	54,118
Less: Non-current assets held for sale	12	(379)	-
At 31 December		53,102	54,118

Details of the subsidiaries are as follows:

			Effective ownership interest	
Name of subsidiary	Country of incorporation	Principal activities	2008 %	2007 %
Grand Carpet Industries Sdn. Bhd.	Malaysia	Trading of carpet of all description	100	100
Sanyco Grand Industries Sdn. Bhd.	Malaysia	Manufacturing of automotive braking components and motorcycle components	100	100
Machinery & Industrial Supplies Sdn. Bhd.	Malaysia	Trading of machinery and industrial parts supplies	100	100
Sugihara Grand Industries Sdn. Bhd.	Malaysia	Manufacturing and trading of carpet of all description	60	60
Cleon Technology Sdn. Bhd.	Malaysia	Manufacturing and trading of rechargeable lithium polymer batteries of all description. The Company has ceased its business operation since January 2007	66.25	66.25
Kyoto Energy Pte. Ltd. #*	Singapore	Project development, carbon advisory and carbon asset management services	61.39	61.39
Subsidiary of Kyoto Energy Pte. Ltd.				
Kyoto Energy Sdn. Bhd.	Malaysia	Dormant	100	-

Classified as discontinued operation during the current financial year.
* Audited by other members firm of KPMG International.

8. Other investments

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Non-current					
At cost:					
Quoted investments in Malaysia		11,823	11,823	2,779	2,779
Less: Allowance for diminution in value	17	-	(64)	-	(47)
		11,823	11,759	2,779	2,732
Market value:					
Quoted investments in Malaysia		12,152	11,875	2,792	2,732

9. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2008 RM'000	Assets 2007 RM'000	Liabilities 2008 RM'000	Liabilities 2007 RM'000	Net 2008 RM'000	Net 2007 RM'000
Property, plant and equipment	(37)	(52)	(1,781)	(1,775)	(1,818)	(1,827)
Provisions	755	785	47	83	802	868
Capital allowance carry-forwards	-	-	695	732	695	733
Tax loss carry-forwards	-	-	-	25	-	25
Net tax assets/(liabilities)	718	733	(1,039)	(934)	(321)	(201)

Movement in temporary differences during the year

	At 1.1.2007 RM'000	Recognised in income statement (Note 20) RM'000	At 31.12.2007 RM'000	Recognised in income statement (Note 20) RM'000	At 31.12.2008 RM'000
Property, plant and equipment	(1,972)	145	(1,827)	9	(1,818)
Provisions	899	(31)	868	(66)	802
Capital allowance carry-forwards	633	100	733	(38)	695
Tax loss carry-forwards	204	(179)	25	(25)	-
	(236)	35	(201)	(120)	(321)

In recognising the deferred tax assets attributable to unutilised capital allowance carry-forwards and unutilised tax loss carry-forwards, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised capital allowance carry-forwards amounting to approximately RM695,000 will not be available to the Group, resulting in net deferred tax assets of RM695,000.

9. Deferred tax assets and liabilities *(continued)*

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2008 RM'000	**2007 RM'000**
Deductible temporary differences	(265)	531
Tax loss carry-forwards	6,695	4,729
Reinvestment allowance	1,682	-
Capital allowance carry-forwards	5,072	4,725
	13,184	9,985

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit of the subsidiaries will be available against which the Group and the Company can utilise the benefits there from.

10. Receivables, deposits and prepayments

	Note	Group		Company	
		2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
Trade					
Trade receivables	a	18,802	20,933	-	-
Less: Allowance for doubtful debts	b	(120)	(119)	-	-
		18,682	20,814	-	-
Other receivables		1,102	881	-	3
Deposits		165	257	-	-
Prepayments	c	540	792	-	-
		1,807	1,930	-	3
		20,489	22,744	-	3

Note a

Credit terms of trade receivables range from 60 - 180 days (2007 - 60 - 180 days).

Note b

Included in allowance for doubtful debts of the Group are bad debts written off against allowance for doubtful debts amounting to Nil (2007: RM20,000).

Note c

Included in prepayments of the Group are deposits for the purchases of inventories amounting to RM262,000 (2007 - RM638,000).

11. Inventories

	Group	
	2008 RM'000	2007 RM'000
At cost:		
Raw materials	4,711	2,756
Work-in-progress	465	428
Manufactured goods	1,542	1,419
Trading goods	7,090	7,024
	13,808	11,627
At net realisable value:		
Trading goods	1,507	1,034
	15,315	12,661

Raw materials amounting to RM136,000 (2007: RM291,000) have been fully written down.

12. Disposal group held for sale

Consultancy service and environment is presented as a disposal group held for sale following the Company announced the decision to discontinue and dispose of its subsidiary, Kyoto Energy Pte. Ltd., comprising its entire consultancy service and environment division as disclosed in Note 21 and 23 to the financial statements.The sale was completed in March 2009. At 31 December 2008, the assets and liabilities of the disposal group are as follows:

	Note	Group 2008 RM'000
Assets classified as held for sale		
Property, plant and equipment	12.1	47
Receivables, deposits and prepayments	12.2	255
Cash and cash equivalents		917
		1,219
Liability classified as held for sale		
Payables and accruals		774
		774

12.1 Property, plant and equipment held for sale comprise the following:

	Group 2008 RM'000
Plant and equipment:	
Cost	89
Accumulated depreciation	(42)
	47

12. Disposal group held for sale *(continued)*

12.2 Receivables, deposits and prepayments

Receivables, deposits and prepayments are stated at cost.

The non-current asset classified as held for sale on the Company's balance sheet as at 31 December 2008 is as follows:

	Note	2008 RM'000
Asset		
Investment in subsidiaries	7	379

13. Cash and cash equivalents

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and bank balances	5,613	3,683	237	735

14. Share capital and reserves

Share capital	Group and Company			
	Amount 2008 RM'000	Number of shares 2008 RM'000	Amount 2007 RM'000	Number of shares 2007 RM'000
Ordinary shares of RM1.00 each Authorised	60,000	60,000	60,000	60,000
Issued and fully paid	44,800	44,800	44,800	44,800

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Company (see below), all rights are suspended until those shares are reissued.

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in the annual general meeting held on 16 May 2008, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 999,900 of its issued share capital from the open market at an average price of RM0.39 per share. The total consideration paid was RM388,800 including transaction cost of RM6,200. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

14. Share capital and reserves *(continued)*

Treasury shares *(continued)*

At 31 December 2008, the Group held 2,152,000 (2007 - 1,152,100) of the Company's shares. The number of outstanding ordinary shares of RM1 each in issue after the setoff is 42,648,000 (2007 - 43,647,900).

Details of the shares buy-back were as follows:

2008	Average price paid RM	Highest price paid RM	Lowest price paid RM	Number of shares purchase and retained as treasury share units	Total consideration paid RM
January - March	0.440	0.460	0.380	208,000	90,998
April - June	0.370	0.400	0.340	232,900	87,595
July - September	0.380	0.395	0.360	369,700	141,403
October - December	0.360	0.380	0.290	189,300	68,833
2007					
January - March	0.520	0.540	0.500	228,500	118,986
April - June	0.490	0.500	0.480	133,400	65,596
July - September	0.500	0.520	0.475	50,000	25,281
October - December	0.480	0.500	0.460	252,400	122,262

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained earnings at 31 December 2008 if paid out as dividends.

The Finance Act 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2008 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

15. Payables and accruals

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade					
Trade payables	a	9,010	9,428	-	-
Non-trade					
Other payables and accruals	b	8,067	7,324	211	182
Amount due to a subsidiary	c	-	-	5,320	5,120
		8,067	7,324	5,531	5,302
		17,077	16,752	5,531	5,302

15. Payables and accruals *(continued)*

Note a

(i) Credit terms of trade payables range from 30 - 120 days (2007 - 30 - 120 days).

Note b

(i) Included in other payables and accruals of the Group is an amount of RM327,000 (2007 - RM259,000) accrued for the acquisition of plant and machineries.

(ii) Included in other payables and accruals of the Group is an amount of RM36,000 (2007 - RM36,000) of deposits received from a customer of a subsidiary.

Note c

The amount due to a subsidiary is non-trade in nature, unsecured, interest free and repayable on demand.

16. Loans and borrowings

	Group	
	2008 RM'000	**2007 RM'000**
Current		
Bank overdrafts - secured	-	437

In 2007, the secured bank overdrafts were subject to interest ranging between 0.75% - 1.50% (2007 - 0.75% - 1.50%) above lenders' base lending rates.

The bank overdrafts are secured by the following:

(i) fixed charge over certain freehold land and buildings (Note 3) and long term leasehold land (Note 5) of certain subsidiaries; and

(ii) corporate guarantee given by the Company (Note 26).

17. Operating profit/(loss)

		Group		Company	
	Note	2008 RM'000	2007 RM'000 restated	2008 RM'000	2007 RM'000
Revenue - manufacturing		62,761	55,598	-	-
- trading		18,496	15,220	-	-
		81,257	70,818	-	-
Cost of manufactured goods		(54,930)	(50,892)	-	-
Cost of goods sold		(12,288)	(10,632)	-	-
Gross profit		14,039	9,294	-	-
Operating profit/(loss) is arrived at after charging:					
Allowance for doubtful debts		5	15	-	-
Allowance for diminution in value of other investments	8	-	64	-	47
Amortisation of prepaid lease payments	5	36	36	-	-
Auditors' remuneration					
- Statutory audit		104	95	25	22
- Other service		10	10	10	10
Bad debts written off		-	83	-	-
Depreciation on investment properties	6	41	41	-	-
Depreciation on property, plant and equipment	3	3,690	3,550	1	1
Impairment loss on property, plant and equipment	3	-	13	-	-
Impairment loss on goodwill	4	789	-	-	-
Impairment loss on investment in subsidiaries	7	-	-	637	2,366
Inventories written down		136	291	-	-
Loss on disposal of property, plant and equipment		-	1	-	-
Loss on disposal of other investments		-	22	-	22
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		773	835	-	-
- Wages, salaries and others		11,029	10,587	19	16
Plant and equipment written off		2	-	-	-
Realised foreign exchange loss		8	5	-	-
Rental expenses for warehouse and staff housing facilities		73	102	-	-
Unrealised foreign exchange loss		8	-	-	-
and after crediting:					
Gain on disposal of property, plant and equipment		51	146	-	-
Gain on disposal of investment property		-	83	-	-
Gain on disposal of other investments		-	115	-	-
Realised foreign exchange gain		8	45	-	-
Rental income from properties		175	193	-	-
Reversal of allowance for doubtful debts		4	1	-	-
Reversal of allowance for diminution in value of other investments	8	64	-	47	-
Unrealised foreign exchange gain		-	12	-	-

18. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Company's Directors				
- Fees	254	122	118	122
- Remuneration	879	918	19	16
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	28	43	-	-
Other Directors				
- Fees	-	165	-	-
- Remuneration	398	124	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	13	22	-	-
Other key management personnel:				
- Remuneration	570	551	-	-
	2,142	1,945	137	138

19. Finance costs

	Group	
	2008 RM'000	2007 RM'000
Interest expense on:		
Bank overdrafts	12	18
Bank guarantees	2	-
Finance lease liabilities	-	1
Letter of credit	17	15
	31	34
Other bank charges	96	108
	127	142
Less: interest expenses on discontinued operation	(15)	(2)
	112	140

20. Tax expense

Recognised in the income statement

		Group		Company	
	Note	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Tax expense on continued Operations		1,116	273	-	-
Tax expense on discontinued Operations		-	- *	-	-
Total tax expense		1,116	273	-	-
Motor components of tax expense include:					
Current tax expense					
- current year		1,023	416	-	-
- over provision in prior year		(27)	(108)	-	-
Total current tax		996	308	-	-
Deferred tax expense					
- origination and reversal of temporary differences	9	266	44	-	-
- over provision in prior year		(146)	(79)	-	-
Total deferred tax		120	(35)	-	-
Total tax expense		1,116	273	-	-

** Denoted RM23*

	Group		Company	
	2008 RM'000	2007 RM'000 (Restated)	2008 RM'000	2007 RM'000
Profit before taxation	3,390	(93)	(960)	(2,751)
Total tax expense	(1,116)	(273)	-	-
Profit excluding tax	2,274	(366)	(960)	(2,751)
Tax calculated using Malaysian tax rates*	861	(47)	(250)	(743)
Non-deductible expenses	604	260	250	743
Tax incentives	-	(189)	-	-
Effect of changes in tax rates **	(13)	(11)	-	-
Effect of deferred tax asset not recognised	1	447	-	-
Utilisation of previously unrecognised unobsorbed capital allowance	(164)	-	-	-
	1,289	460	-	-
Over provision in prior year	(173)	(187)	-	-
	1,116	273	-	-

* *With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.*

** *The corporate tax rates are 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.*

21. Discontinued operation

On 23 January 2009, the Company entered into a Sale of Share Agreement to dispose its entire equity interest of a subsidiary, Kyoto Energy Pte. Ltd. The disposal was completed in March 2009. The disposal of Kyoto Energy Pte. Ltd., which represents the consultancy service and environment division of the Group, falls within the ambit of Discontinued Operation under FRS 5, *Non-current Assets Held for Sale and Discontinued Operation,* and thus the consolidated income statements for the current and preceding year have been adjusted/restated to reflect the after-tax results of the discontinued operation as a single amount on the fall of the consolidated income statement.

Loss attributable to the discontinued operation was as follows:

Results of discontinued operation

	Group	
	2008 **RM'000**	**2007** **RM'000**
Revenue	1,355	398
Expenses	(2,829)	(1,074)
Results from operating activities	(1,474)	(676)
Finance costs	(15)	(2)
Loss before tax	(1,489)	(678)
Tax expense	-	- *
Loss for the year	(1,489)	(678)
** Denoted RM23*		
Included in results from operating activities are:		
Auditors remuneration:		
- Statutory audit		
- KPMG	10	9
- Affiliate of KPMG	10	9
Depreciation of plant and equipment	31	11
Personnel expenses (including key management personnel):		
- Contributions to Employees Provident Fund	15	3
- Wages, salaries and others	1,102	148
Realised foreign exchange loss	14	-
Cash flows from discontinued operation/ Net cash used in discontinued operation		
Net cash from/(used in) operation activities	30	(94)
Net cash used in investing activities	(51)	(23)
	(21)	(117)

22. Earnings/(Loss) per ordinary share

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2008 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2008 **RM'000**	**2007** **RM'000**
Profit/(Loss) for the year attributable to ordinary shareholders:		
from continued operations	2,274	(220)
from discontinued operation	(1,489)	(678)
	785	(898)

22. Earnings/(Loss) per ordinary share *(continued)*

Weighted average number of ordinary shares

	2008 '000	2007 '000
Issued ordinary shares at 1 January	44,800	44,800
Effect of treasury shares held	(1,639)	(816)
Weighted average number of ordinary shares at 31 December	43,161	43,984

	2008 sen	2007 sen
Basic earnings/(loss) per ordinary share:		
from continuing operations	5.27	(0.50)
from discontinued operation	(3.45)	(1.54)
	1.82	(2.04)

23. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise mainly interest-earning assets and revenue, interest-bearing borrowings and expenses, and corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Business segments

The Group comprises the following main business segments:

Automotive parts	Manufacturing and trading of carpet of all description and manufacturing of automotive braking components and motorcycle components.
Machinery parts	Trading of machinery and industrial parts supplies.
Battery products	Manufacturing and trading of rechargeable lithium liabilities of all description.
Consultancy service, environment	Project development, carbon advisory and carbon asset management services.

Geographical segments

The engineering consultancy service, environment segment operates in Singapore while the other segments operate solely in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

As disclosed in Note 21, the Group has discontinued its consultancy service and environment division. In the current financial year, segment reporting for geographical segment is not presented as the Group predominantly operates in Malaysia.

23. Segment reporting *(continued)*

	Automotive Parts		Machinery parts		Battery products		Consultancy service & environment		Group	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Business segments										
Total revenue	62,761	55,598	18,496	15,243	-	-	1,355	398	82,612	71,239
Inter segment revenue	-	-	-	(23)	-	-	-	-	-	(23)
Continuing operations	62,761	55,598	18,496	15,220	-	-	-	-	81,257	70,818
Discontinued operation	-	-	-	-	-	-	1,355	398	1,355	398
Revenue from external customers	62,761	55,598	18,496	15,220	-	-	1,355	398	82,612	71,216
Segment results	2,312	(307)	2,315	829	(14)	(127)	(1,474)	(676)	3,139	(281)
Unallocated expenses									(1,111)	(390)
Less: Results from discontinued operation									1,474	676
Finance costs									(112)	(140)
Interest income									-	42
Profit/(Loss) before tax									3,390	(93)
Tax expense									(1,116)	(273)
Profit/(Loss) for the year									2,274	(366)
Loss from discontinued operation, net of tax									(1,489)	(678)
Minority interests									-	146
Profit/(Loss) attributable to equity holders of the Company									785	(898)
Segment assets	54,697	53,662	22,631	20,939	55	67	-	1,111	77,383	75,778
Assets classified as held for sale									1,219	-
Unallocated corporate assets									3,789	4,464
Goodwill on consolidation									710	1,499
Total assets									83,101	81,741
Segment liabilities	14,158	13,958	2,560	2,528	148	146	-	375	16,866	17,007
Unallocated corporate liabilities									1,642	1,265
Liabilities classified as held for sale									774	-
Total liabilities									19,282	18,272
Capital expenditure	2,268	1,834	286	31	-	-	53	23	2,607	1,888
Depreciation										
- property, plant and equipment	3,282	3,163	408	378	-	9	31	11	3,721	3,561
- prepaid lease payments	16	16	20	20	-	-	-	-	36	36
- investment properties	6	6	35	35	-	-	-	-	41	41
Gain on disposal of property, plant and equipment	(11)	(146)	(40)	(1)	-	-	-	-	(51)	(147)
Gain on disposal of investment properties	-	-	-	(83)	-	-	-	-	-	(83)

24. Financial instruments

Financial risk management objectives and policies

Exposure to credit, foreign currency, liquidity and cash flow, and interest rate risk arises in the normal course of the Group and Company's business. The Group and Company's overall business strategies, their tolerance to risk and their general risk management philosophy are guided by policies set by the Directors. The Board of Directors regularly review such policies and the Directors actively participate in the daily activities of the Group and Company to ensure that policies set in place are adhered to.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Formal credit evaluations are performed on new customers while periodic informal credit evaluations are performed for monitoring purposes. The Group does not require collateral in respect of financial assets and credit terms and limits are set for their customers.

The Group has trade account receivables from manufacturing and sales of its automotive products for which risk of non-payment is affected by conditions mainly in the automotive industry.

As at 31 December 2008, approximately 67% (2007 - 57%) of the Group's trade receivables were due from 12 (2007 - 12) major customers. Trade receivables balances from these 12 (2007 - 12) major customers amounted to RM12,658,000 (2007 - RM11,764,000). The Directors are closely monitoring the credit risk exposure on these major customers. Based on past trends, the Directors do not view the credit risk exposure on these customers to be significant as they are the major automotive assemblers and manufacturers in the country.

The carrying amount of trade and other receivables represents the Group's maximum exposure to credit risk.

Foreign currency risk

The Group has exposure to foreign currency risk as a result of its trade purchases that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollar, Japanese Yen, EURO, Singapore Dollar and Thai Baht.

The Group does not engage in foreign currency hedging on its foreign currency exposures but the management is monitoring the exposure to foreign currency risk on an ongoing basis.

Liquidity and cash flow risk

Prudent liquid risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Interest rate risk

The Group and Company's income and operating cash flows are substantially independent of changes in market interest rates.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

24. Financial instruments ***(continued)***

Effective interest rates and repricing analysis (continued)

Group	2008 Average effective interest rate %	2008 Total RM'000	2008 Less than 1 year RM'000	2007 Average effective interest rate %	2007 Total RM'000	2007 Less than 1 year RM'000
Financial liabilities						
Bank overdrafts - secured	-	-	-	7.50%	437	437

Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals and loans and borrowings approximate fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to a bank for credit facilities extended to subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on credit line is remote.

Fair value of quoted investment is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

In respect of amount due from subsidiaries, it is not practical to estimate the fair values due principally to a lack of specific repayment terms entered into by the parties involved and without incurring excessive costs.

25. Capital commitments

Property, plant and equipment	Group 2008 RM'000	Group 2007 RM'000
Contracted but not provided for in the financial statements	61	195

26. Contingency

The Directors are of the opinion that provision are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

	Group 2008 RM'000	Group 2007 RM'000
Guarantees given to a financial institution for credit facilities granted to subsidiaries	-	437

27. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

27. Related parties *(continued)*

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senor management of the Group.

Other related party transactions

Significant transactions with substantial shareholders of the Company and its subsidiaries are as follows:

	Group	
Company	**2008 RM'000**	**2007 RM'000**
San Yes Automotive Technology Co. Ltd., a substantial shareholder of the Company (deemed interested through MIYES Holdings Sdn. Bhd.)		
Royalties payable	48	48
Purchase of raw materials	570	278
Purchase of consumables	26	-
Purchase of plant and machinery	-	11
Continental Teyes Taiwan Co. Ltd., a substantial shareholder of the Company (deemed interested through MIYES Holdings Sdn. Bhd.)		
Purchase of raw material	442	124
Sugihara Co. Ltd., a shareholder of Sugihara Grand Industries Sdn. Bhd.		
Technical assistance fees payable	40	40
Royalties payable	531	470
Other expenses	39	-
Purchase of plant and equipment	-	5
Hirotako Acoustics Sdn. Bhd., a company connected to a director of the Company		
Sales	45	38

All the amounts outstanding are unsecured and expected to be settled by cash.

28. Business combination

Acquisition

On 18 June 2008, Kyoto Energy Pte. Ltd., a subsidiary of the Company acquired 100% of the issued and paid-up share capital of Kyoto Energy Sdn. Bhd. comprising 2 ordinary shares of RM1 each for a nominal consideration of RM2. The acquisition had no material impact on the earnings and net assets of the Group during the financial year.

Prior year acquisition

On 29 June 2007, the Company acquired 79,505 ordinary shares of SGD$1.00 each, representing 61.39% of the issued and paid-up share capital of Kyoto Energy Pte. Ltd., for a total cash consideration of SGD$450,000, which is equivalent to Ringgit Malaysia RM1,017,000.

28. Business combination *(continued)*

Prior year acquisition (continued)

The fair values of assets acquired and liabilities assumed in the acquisition of the subsidiary and its cash flow effects are as follows:

	Note	At date of acquisition RM'000
Non-current assets		
Property, plant and equipment		11
Current assets		1,056
Current liabilities		(696)
Net current assets		360
Minority shareholders' interest		(143)
Net assets		228
Goodwill arising from consolidation	4	789
Purchase consideration paid, satisfied in cash	7	1,017
Cash and cash equivalents of subsidiaries		(1,056)
Cash flow on acquisition, net of cash acquired		(39)

The acquisition of the subsidiary had the following effect on the Group's operating results, assets and liabilities as at 31 December 2007.

From date of acquisition to 31.12.2007	RM'000
Revenue	398
Cost of sales	(1,006)
Gross profit	(608)
Administrative expenses	(68)
Operating loss	(676)
Finance costs	(2)
Loss after tax	(678)
Minority shareholders' interest	146
Increase in the Group's loss attributable to shareholders	(532)

Balance as at 31.12.2007	RM'000
Non-current assets	
Property, plant and equipment	24
Current assets	1,087
Current liabilities	(1,411)
Net current assets	(324)
Net assets acquired	(300)
Goodwill arising from consolidation	789
Increase in Group's net assets	489

29. Subsequent events during the year

29.1 Disposal of a subsidiary

On 23 January 2009, the Company disposed its entire equity interest in a subsidiary, Kyoto Energy Pte. Ltd. for a total cash consideration of SGD500,000, which is equivalent to RM1,194,000. The disposal was completed in March 2009.

29.2 Increase of investment in Sugihara Grand Industries Sdn. Bhd.

On 30 March 2009, the Company subscribed for an additional 221,270 new ordinary shares of RM1.00 each at par in the share capital of Sugihara Grand Industries Sdn. Bhd., a subsidiary of the Company ("SUGI"). The subscription had increased the shareholding of the Company in SUGI from 2,365,534 ordinary shares of RM1.00 each to 2,586,804 ordinary shares of RM1.00 each, which represents 60% of the total enlarged issued share capital of SUGI.

30. Comparative figures

Certain comparative figures of the Group on the income statement have been represented as if an operation discontinued during the current year had been discontinued from the start of the comparative period (see Note 21).

	Group	
	As restated RM'000	As previously stated RM'000
Income statement		
Revenue	70.818	71.216
Cost of sales	(61,524)	(62,529)
Administrative expenses	(7,425)	(7,494)
Finance costs	(140)	(142)
Loss before tax	(93)	(771)

SHAREHOLDINGS STATISTICS

as at 3 April 2009

Analysis of shareholdings

Authorised Share Capital		RM60,000,000
Issued and paid-Up Share Capital	:	RM44,800,000
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per share

(Against Total Issued Capital of 42,576,500)

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/Securities Held	% of Issued Capital*
1 - 99	6	0.4234	183	0.0004
100 - 1,000	362	25.5469	346,275	0.8133
1,001 - 10,000	799	56.3867	3,758,700	8.8281
10,001 - 100,000	219	15.4552	6,784,134	15.9340
100,001 - 2,128,824	29	2.0466	13,867,872	32.5717
2,128,825 and above	2	0.1411	17,819,336	41.8525
Total	1,417	100.0000	42,576,500	100.0000

Total No. of Shareholders/Depositors	:	1,417
Total Shareholdings/Securities	:	42,576,500
Total Percentage (%)	:	100.0000

* Excluding a total of 2,223,500 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 3 April 2009.

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS

No.	Name	Normal Holdings	Holdings Percentage#
1	MIYES HOLDINGS SDN BHD	15,680,000	36.8278
2	MOHD RIANI BIN OSMAN	2,139,336	5.0247
3	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR RBS COUTTS BANK LTD (HK BRANCH)	2,000,000	4.6974
4	CHANG KUN-SHENG	1,948,700	4.5769
5	YAP SIEW FOONG	1,263,730	2.9681
6	TEH HEAN IT	1,211,600	2.8457
7	NG ENG BEE	1,185,010	2.7832
8	NG WAI KEE	640,900	1.5053
9	ANG HUAT KEAT	624,100	1.4658
10	NG ENG BEE	560,000	1.3153
11	YEOH KEAN HUA	430,000	1.0099
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP MEOW LIM (100463)	400,000	0.9395
13	CHONG TECK HOO @ CHAM TECK HOO	387,089	0.9092
14	ENG KIM LIAN	380,964	0.8948
15	CHAM BEE SENG @ CHIAM BEE SENG	350,089	0.8223
16	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR MOHD RIANI BIN OSMAN (SMART)	250,000	0.5872
17	NG YIK FU	228,000	0.5355
18	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN	179,000	0.4204
19	ONG LEA PING	174,600	0.4101
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI GUAN (474333)	170,000	0.3993
21	HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEK THIAM HONG	167,000	0.3922
22	CHAN SENG CHEONG	157,500	0.3699
23	FOO TECK SENG	150,000	0.3523
24	CHAM BEE SIM	149,572	0.3513
25	NG KWEE ENG	142,018	0.3336
26	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP LIP YUEN	131,000	0.3077
27	TONG YOON CHONG @ THONG CHEONG CHOY	130,000	0.3053
28	LEE ANG EE	129,000	0.3030
29	TAN SEIK LANG	115,000	0.2701
30	LAI YUN HUA	111,000	0.2607
Total		31,585,208	74.1845

Excluding a total of 2,223,500 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 3 April 2009

SUBSTANTIAL SHAREHOLDERS AS AT 3 APRIL 2009

	Direct Interest		Indirect Interest	
Name of Substantial Shareholder	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
MIYES Holdings Sdn Bhd ("MIYES")	15,680,000	36.83	-	-
Umberston Holdings Sdn Bhd ("Umberston")	-	-	15,680,000(1)	36.83
San Yes Automotive Technology Co., Ltd	-	-	15,680,000(1)	36.83
Ng Kwee Eng	142,018	0.33	15,680,000(2)	36.83
Yap Siew Foong	1,263,730	2.97	15,680,000(2)	36.83
Mohd Riani bin Osman	2,389,336	5.61	-	-

* Excluding a total of 2,223,500 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 3 April 2009

(1)deemed interested through MIYES
(2)deemed interested through Umberston and MIYES

DIRECTORS' INTERESTS AS AT 3 APRIL 2009

	Direct Interest		Indirect Interest	
Name of Director	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
Mohd Riani bin Osman	2,389,336	5.61	-	-
Yap Siew Foong	1,263,730	2.97	15,680,000(1)	36.83
Ng Wai Kee	700,900	1.65	15,680,000(1)	36.83
Cham Bee Sim	249,572	0.59	15,680,000(1)	36.83
Danny Ng Siew L'Leong	-	-	-	-
Pauline Teh @ Pauline Teh Abdullah	-	-	-	-
Mohamed Ghazali bin Kamal Baharein	-	-	-	-
Foo Lee Khean	-	-	-	-

* Excluding a total of 2,223,500 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 3 April 2009

(1)deemed interested through Umberston and MIYES

LIST OF PROPERTIES

as at 31 December 2008

Registered Beneficial Owner	Location	Date of Valuation	Description and Existing Use	Tenure	Approximate Age of Property (Year)	Built Up area (Sq.m)	Net book Value as at 31 December 2008 (RM)
Machinery & Industrial Supplies Sdn Bhd	No. 19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur	June 1, 2000	A double storey detached warehouse with 3 storey frontal office. Warehouse	Leasehold 66 years	10	3,866.5	2,804,600
Grand Carpet Industries Sdn Bhd	Lot 3, Jalan Sultan Hishamuddin 2, Kawasan Perusahaan Selat Kelang Utara, 42000 Port Klang, Selangor Darul Ehsan	June 1, 2000	Industrial land erected with single and double storey office annexed. Office and factory	Leasehold 99 years	15	10,310.26	6,605,368
Sanyco Grand Industries Sdn Bhd	No. 3, Jalan U1/15, HiCom Glenmarie Industrial Park, 40150 Shah Alam, Selangor	June 1, 2000	Two single storey factories with office annexed. Office and factory	Freehold	8	2,140.37	3,656,311
Machinery & Industrial Supplies Sdn Bhd	No. 50 & 52, Jalan Brunei Utara, Kuala Lumpur	June 1, 2000	2 adjoining units of 4 storey shop office. The ground floor to the second floor are rented out whilst the third floor is vacant.	Freehold	27	1,197.1	323,378
Machinery & Industrial Supplies Sdn Bhd	Lot 34, Jalan B 25/B, Taman Perindustrian AXIS, Section 25, 40400 Shah Alam, Selangor Darul Ehsan	June 1, 2000	One unit of 3 storey shop office. Rented	Freehold	10	586.60	464,100
Machinery & Industrial Supplies Sdn Bhd	No. 21 & 23 (Developer's Plot No. 119 & 118), Taman Kenanga, Bandar Baru Salak Tinggi, 83800 Dengkil, Selangor Darul Ehsan.	Dec 23, 2005	Two units of an intermediate and end lot of three storey shophouse. The property is vacant	Freehold	6	429.21	338,400
Grand Carpet Industries Sdn Bhd	Parcel No. A-42-09(E), Berjaya Star City, Jalan Imbi, Section 52, 55100 Kuala Lumpur	June 1, 2000	A 42nd Floor service suite within a high-rise commercial building housing retails and service apartment block. Rented	Freehold	4	53.70	264,308

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the Company will be held at Bukit Kiara Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 29 May 2009 at 10.00 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2008 together with the Directors' and Auditors' Reports thereon. ***Ordinary Resolution 1***

2. To approve the payment of Directors' Fees in respect of the financial year ended 31 December 2008. ***Ordinary Resolution 2***

3. To re-elect the following Directors retiring under Article 103 of the Company's Articles of Association:-
   i) Encik Mohd Riani Bin Osman ***Ordinary Resolution 3***
   ii) Mr Ng Wai Kee ***Ordinary Resolution 4***
   iii) Mr Cham Bee Sim ***Ordinary Resolution 5***

4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 6***

As Special Business

To consider and, if thought fit, to pass the following resolutions:-

5. **Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares**

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and from time to time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue." ***Ordinary Resolution 7***

6. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

   "THAT, pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company and its subsidiaries ("SMIS Group") be and are hereby authorised to enter into any of the recurrent transactions of a revenue or trading nature as set out under Section 2.3 of Part A of the Circular to Shareholders dated 7 May 2009 with the related parties mentioned therein which are necessary for the SMIS Group's day-to-day operations, subject further to the following:-
   (i) the transactions are in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
   (ii) disclosure of the aggregate value of the transactions of the Proposed Shareholders' Mandate conducted during the financial year will be disclosed in the Annual Report for the said financial year,

   AND THAT such approval shall continue to be in force until:-

   (i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the Meeting, the authority is renewed;
   (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by the Company in a general meeting,

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

Ordinary Resolution 8

7. Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

"THAT subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Securities and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits and/or share premium of the Company as at 31 December 2008 of RM2.2 million and RM4.9 million respectively to purchase such amount of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;

THAT an amount not exceeding the Company's share premium account and retained profits account be allocated by the Company for the Proposed Share Buy-Back;

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 67A of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them;

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company (being the Eleventh ("11th") AGM of the Company), at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
(ii) the expiration of the period within which the 11th AGM of the Company is required by law to be held; or
(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any);

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authority." ***Ordinary Resolution 9***

BY ORDER OF THE BOARD
LIEW IRENE (MAICSA 7022609)
CHOONG LEE WAH (MAICSA 7019418)
Secretaries

Selangor Darul Ehsan
Date: 7 May 2009

NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. A member may appoint not more than two (2) proxies to attend and vote at the same meeting. Where a member appoints the maximum of two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of the attorney.

4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

5. **EXPLANATORY NOTES ON SPECIAL BUSINESS**

   (i) Ordinary Resolution No. 7 - Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares

   Ordinary Resolution No. 7, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

   (ii) Ordinary Resolution No. 8 - Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

   Please refer to the Circular to Shareholders dated 7 May 2009 for further information.

   (iii) Ordinary Resolution No. 9 - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

   Please refer to the Share Buy-Back Statement dated 7 May 2009 for further information.

STATEMENT ACCOMPANYING NOTICE

of Tenth Annual General Meeting

Statement accompanying Notice of Tenth Annual General Meeting pursuant to paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

For further details of Directors standing for re-election at the Tenth Annual General Meeting, please refer to pages 6 to 7 of the Annual Report

PROXY FORM

No. of Shares

SMIS CORPORATION BERHAD (491857-V)
(Incorporated in Malaysia)

I/We, ...

of ....

being a member of SMIS CORPORATION BERHAD hereby appoint ....

....

of ....

or failing him/her ....

of ....

or failing him/her, *the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Tenth Annual General Meeting of the Company to be held at Bukit Kiara Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Friday, 29 May 2009 at 10.00 a.m. and at any adjournment thereof in respect of my/our shareholding in the manner indicated below:

** Please delete the words "Chairman of the Meeting" if you wish to appoint some other person to be your proxy.*

No.	Resolution	For	Against
Ordinary Resolution 1	Adoption of the Audited Financial Statements for the financial year ended 31 December 2008 and Directors' and Auditors' Reports		
Ordinary Resolution 2	Approval of Directors' Fees		
Ordinary Resolution 3	Re-election of Encik Mohd Riani Bin Osman as Director (Article 103)		
Ordinary Resolution 4	Re-election of Mr Ng Wai Kee as Director (Article 103)		
Ordinary Resolution 5	Re-election of Mr Cham Bee Sim as Director (Article 103)		
Ordinary Resolution 6	Re-appointment of Auditors		
Ordinary Resolution 7	Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		
Ordinary Resolution 8	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 9	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares		

(Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.)

Dated this ....day of 2009

....
Signature of Shareholder or Common Seal

NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. A member may appoint not more than two (2) proxies to attend and vote at the same meeting. Where a member appoints the maximum of two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of the attorney.

4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

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STAMP

THE SECRETARY
SMIS CORPORATION BERHAD
Lot 6.05, Level 6,
KPMG Tower, 8 First Avenue,
Bandar Utama,
47800 Petaling Jaya,
Selangor Darul Ehsan.
Malaysia.

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SMIS Corporation Berhad
(491857-V)
(Incorporated in Malaysia under the Companies Act, 1965)

No. 19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur, Malaysia
Tel : 03-9221 9898 (10 lines) Fax : 03-9221 7878