SMIS CORPORATION BERHAD

(199901016957(491857-V))

Annual Report

2019

CONTENTS

GROUP STRUCTURE

As at 1 June 2020

- 100% SMIS GRAND VENTURES SDN. BHD.
  - 99% PT SANYCO GRAND INDONESIA
  - 81.09% PT GRAND VENTURES HARTAMAS
- 100% CENDANA EKSOTIK SDN. BHD.
- 100% GRAND CARPET INDUSTRIES SDN. BHD.
- 100% SANYCO GRAND INDUSTRIES SDN. BHD.
- 60% SUGIHARA GRAND INDUSTRIES SDN. BHD.
- 100% MACHINERY & INDUSTRIAL SUPPLIES SDN. BHD.
- 99.96% PT GRAND SURYA TECHNO
- 96.67% EXSILIO PTE. LTD.
  - 99.87% PT ZUSMA PLASTICS
    - 99.86% PLASPOINT SDN. BHD.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ng Wai Kee
Executive Director & Chairman

Yap Siew Foong
Executive Director

Wern Li Morsingh
Independent Non-Executive Director

Oei Kok Eong
Independent Non-Executive Director

Tan Hock Soon
Independent Non-Executive Director
(appointed on 3 June 2019)

AUDIT AND RISK COMMITTEE

Oei Kok Eong
Chairman
Wern Li Morsingh
Tan Hock Soon

NOMINATION COMMITTEE

Tan Hock Soon
Chairman
Wern Li Morsingh
Oei Kok Eong

REMUNERATION COMMITTEE

Wern Li Morsingh
Chairperson
Ng Wai Kee
Oei Kok Eong

BUSINESS ADDRESS

No. 19, Jalan Dua,
Off Jalan Chan Sow Lin,
55200 Kuala Lumpur,
Wilayah Persekutuan.
Tel: 03-9221 9898 Fax: 03-9221 7878

COMPANY SECRETARIES

Tai Yit Chan
(SSM PC No. 202008001023)
(MAICSA 7009143)

Wong Siew Yeen
(SSM PC No. 202008001471)
(MAICSA 7018749)

REGISTERED OFFICE

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor
Tel: 03-7890 4800 Fax: 03-7890 4650

AUDITORS

Baker Tilly Monteiro Heng PLT
(LLP0019411-LCA & AF0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur, Wilayah Persekutuan.
Tel: 03-2297 1000 Fax: 03-2282 9980

PRINCIPAL BANKERS

United Overseas Bank Malaysia Berhad
[199301017069 (271809-K)]
Level 7, Menara UOB, Jalan Raja Laut,
50050 Kuala Lumpur, Wilayah Persekutuan.

SHARE REGISTRARS

Boardroom Share Registrar Sdn Bhd
[199601006647 (378993-D)]
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor
Tel: 03-7890 4700 Fax: 03-7890 4670

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)

WEBSITE

http://www.smis.com.my

FIVE-YEAR FINANCIAL HIGHLIGHTS
As at 31 December

In thousands of RM	2015	2016 Restated	2017	2018	2019
Revenue	143,267	133,605	124,964	127,928	125,738
Profit/(Loss) before tax	2,597	(2,769)	(4,961)	(2,656)	1,280
from continuing operations	2,597	435	(3,186)	(2,271)	1,280
from discontinued operation	-	(3,204)	(1,775)	(385)	-
Profit/(Loss) for the year	1,388	(2,980)	(5,236)	(3,969)	975
from continuing operations	1,388	224	(3,432)	(3,584)	975
from discontinued operation	-	(3,204)	(1,804)	(385)	-
Profit attributable to owners	492	(3,160)	(4,671)	(5,026)	821
from continuing operations	492	13	(2,861)	(4,654)	821
from discontinued operation	-	(3,173)	(1,810)	(372)	-
Total equity attributable to owners	77,520	73,295	65,561	60,379	61,354
Total assets	117,158	128,780	126,716	119,835	112,617
Total liabilities	(31,676)	(44,877)	(49,946)	(44,785)	(36,970)
Total borrowings	(6,049)	(17,712)	(26,610)	(21,008)	(14,421)

Growth rate over previous years	2015	2016	2017	2018	2019
Revenue	(2.4%)	(2.4%)	(6.5%)	2.4%	(1.7%)
Profit/(Loss) before tax	(55.0%)	(206.6%)	79.2%	46.5%	148.2%
Profit/(Loss) for the year	(54.7%)	(314.7%)	75.7%	24.2%	124.6%
Total equity attributable to owners	(0.6%)	(5.5%)	(10.6%)	(7.9%)	1.6%
Total assets	(0.6%)	9.9%	(1.6%)	(5.4%)	(6.0%)
Total liabilities	(6.8%)	41.7%	11.3%	(10.3%)	(17.5%)
Total borrowings	(10.9%)	192.8%	50.2%	(21.1%)	(31.4%)

Share information	2015	2016	2017	2018	2019
Basic earnings/(loss) per share (sen)	1.17	(7.49)	(11.14)	(11.92)	1.95
- From continuing operations	1.17	0.03	(6.82)	(11.04)	1.95
- From discontinued operation	-	(7.52)	(4.32)	(0.88)	-
Net assets per share (RM)	1.73	1.64	1.46	1.35	1.37

Financial ratio	2015	2016	2017	2018	2019
Return on equity attributable to owners	1.79%	(4.07%)	(7.99%)	(6.57%)	1.59%
Return on total assets	1.18%	(2.31%)	(4.13%)	(3.31%)	0.87%
Debt equity ratio	0.08	0.24	0.41	0.35	0.24

PROFILE OF DIRECTORS

PROFILE OF DIRECTORS

Ng Wai Kee
Chairman,
Executive Director

Ng Wai Kee, aged 49, male, was appointed to the Board of Directors of SMIS Corporation Berhad ("SMIS" or "the Company") on 2 February 2002 as an Executive Director and assumed the position of the Chief Executive Officer ("CEO") on 22 February 2013. He was re-designated as Chairman and Executive Director on 21 November 2014. He also serves as a member of the Remuneration Committee.

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 a 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. Since 1997, he has been instrumental in many milestones achieved by SMIS, namely securing a joint venture with Sugihara Co., Ltd., Japan and listing the Company on Bursa Malaysia Securities Berhad. Currently, he is responsible for the strategic direction and operational management of SMIS where he continues to drive for growth, efficiency and tighter corporate governance to ensure greater shareholder value.

He is currently a Director of Malaysian Automotive Components Parts Manufacturers and Vice Chairman of the Toyota Suppliers' Club. Other than SMIS, he does not hold any other directorships in other public listed companies and listed issuers in Malaysia.

He is the son of Yap Siew Foong, a Director and major shareholder of the Company. Save for his shareholdings in the Company as disclosed on page 135 of the Annual Report, he does not have any other conflict of interest with the Company. His length of service in SMIS as at 30 June 2020 is eighteen (18) years.

He has attended all the five (5) board meetings held in the financial year ended 31 December 2019.

Yap Siew Foong
Executive Director

Yap Siew Foong, aged 76, female, was appointed to the Board of Directors of SMIS on 2 February 2002 as an Executive Director.

She is one of the co-founders of SMIS and its subsidiaries ("SMIS Group" or "the Group") and is responsible for the finance and operations of the trading division. Other than SMIS, she does not hold any other directorships in other public listed companies and listed issuers in Malaysia.

She is the mother of Ng Wai Kee. Save for her shareholdings in the Company as disclosed on page 135 of the Annual Report, she does not have any other conflict of interest with the Company. Her length of service in SMIS as at 30 June 2020 is eighteen (18) years.

She has attended all the five (5) board meetings held in the financial year ended 31 December 2019.

PROFILE OF DIRECTORS
CONT'D

Wern Li Morsingh
Independent Non-Executive Director

Wern Li Morsingh, aged 47, female, was appointed to the Board of Directors of SMIS on 28 November 2012 as an Independent Non-Executive Director. She also serves as the Chairperson of the Remuneration Committee and a member of the Audit and Risk Committee and Nomination Committee.

She graduated with a Bachelor of Laws (Hons), King's College London, in 1995 and was admitted as an Utter Barrister of Gary's Inn in 1996. In 1997, she was admitted to the Malaysian Bar. She did a postgraduate certified diploma in accounting and finance from the Association of Certified Chartered Accountants in 2001. She was admitted to the Singaporean Bar in 2002, she is also a Commissioner for Oaths.

She served as a legal assistant in legal firms in Malaysia and Singapore from 1997 to 2006.

She is currently a partner of Amin, Wern Li & Associates. Other than SMIS, she does not hold any other directorships in other public listed companies and listed issuers in Malaysia.

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. Her length of service in SMIS as at 30 June 2020 is seven (7) years.

She has attended all the five (5) board meetings held in the financial year ended 31 December 2019. She does not hold any shares in the Company.

PROFILE OF DIRECTORS
CONT'D

Oei Kok Eong
Independent Non-Executive Director

Oei Kok Eong, aged 66, male, was appointed to the Board of Directors of SMIS on 21 November 2014 as an Independent Non-Executive Director. He also serves as the Chairman of the Audit and Risk Committee and a member of the Nomination Committee and Remuneration Committee.

He has a Bachelor's Degree in Mechanical Engineering from the University of Singapore, 1977.

He started his career in Jardine Parrish, Singapore as a project and maintenance engineer and then worked in Rothmans, Petaling Jaya in manufacturing. Since then he has been involved for more than thirty (30) years in the automotive component industry, initially as Operations Manager of a greenfield company, Kayaba (Malaysia) Sdn. Bhd., a joint-venture between an international Japanese PLC and UMW Berhad, and rose to the position of General Manager/Director.

He also headed the Autoliv group of companies in Malaysia – a division of Hirotako Berhad – in manufacturing seat belts, steering wheels and airbags systems.

In 2006, he was appointed as an Executive Director of APM Holdings Berhad, responsible for overseas operations until his retirement in 2011.

He has served over the years, in various positions in the Malaysian Automotive Component Manufacturers' Association (MACPMA) and working/technical committees of SIRIM. He also initiated and headed the Toyota Suppliers' Club Lean Manufacturing activities for several years.

He was the founding Chair of the Malaysian Chapter of the Society of Automotive Engineers in 2000.

Presently, he is a business CEO coach mentoring a group of business owners/CEOs in association with Vistage Malaysia Sdn. Bhd. He also serves as a Director of HPMT Holdings Berhad and New Hoong Fatt Holdings 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. His length of service in SMIS as at 30 June 2020 is five (5) years.

He has attended all five (5) board meetings held in the financial year ended 31 December 2019. He does not hold any shares in the Company.

PROFILE OF DIRECTORS
CONT'D

Tan Hock Soon
Independent Non-Executive Director
(appointed on 3 June 2019)

Tan Hock Soon, aged 48, male, was appointed to the Board of Directors of SMIS on 3 June 2019 as an Independent Non-Executive Director. He also serves as the Chairman of the Nomination Committee and a member of the Audit and Risk Committee. He is a Fellow Member of the Malaysia Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He commenced his career with KPMG in 1992 before leaving to join the Corporate Finance Division of Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad) in 1996. He left in 1999 to set up his own business.

From November 2001 to February 2004, he was an Executive Director of Merces Holdings Berhad (now known as Y&G Corporation Berhad), a company listed on the then Second Board of Bursa Malaysia Securities Berhad. From January 2003 to September 2008, he was also an Independent Non-Executive Director and Audit Committee Chairman of NTPM Holdings Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. In July 2004, he obtained his Investment Representative license and is currently an Executive Director of Strategic Capital Advisory Sdn. Bhd., a Licensed Investment Advisory company which specialises in Corporate Finance.

He is also currently an Executive Director of Systech Bhd, a company listed on the ACE Market of Bursa Malaysia Securities Berhad and a Director of Leinet Technology Berhad, Econframe Berhad and several private limited 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. His length of service in SMIS as at 30 June 2020 is one (1) year.

He has attended two (2) board meetings held in the financial year ended 31 December 2019 after his appointment. He does not hold any shares in the Company.

Notes to Directors' Profile:

All of the Directors of SMIS are Malaysians.

Other than traffic offences, none of the Directors of SMIS has any conviction for offences within the past five (5) years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

PROFILE OF KEY SENIOR MANAGEMENT

Robert Koong Yin Leong
Group Financial Controller

Robert Koong Yin Leong, aged 52, male, joined SMIS Group in 2006 as Group Financial Controller. He is an Associate Member of the Chartered Institute of Management Accountant, United Kingdom.

He began his career with Arthur Andersen, Malaysia in 1990 in the corporate recovery and corporate finance division prior to joining Electroscon Sdn. Bhd. as Group Finance Manager in 1994. He joined Tanco Resorts Berhad in 1999 as the Finance and Administration Manager. He was with Hicom-Teck See Sdn. Bhd. [posted to Hicom Automotive Plastics (Thailand) Ltd] from 2002 to 2005 as General Manager, Finance, before joining Nakamichi Corporation Berhad as Manager, Finance and Administration.

Presently, he is also an Independent Non-Executive Chairman of Systech Bhd and Econframe Bhd.

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. He does not hold any shares in the Company.

Soo Hak Min
Director, Manufacturing
(Automotive Division)

Soo Hak Min, aged 55, male, joined the Group in 1999 and is currently an Executive Director, managing the Automotive Division.

He holds a Higher Diploma (Distinction) in Material Engineering from Tunku Abdul Rahman College and a Degree in Mechanical Engineering through the Engineering Council, United Kingdom in 1990. Prior to this, he was attached to the Lion Group of Companies from 1990 to 1999 in various capacities from metallurgist to an alternate director in certain of Lion Group's subsidiaries. His last appointment with the Lion Group was as Factory Operations Manager for Bright Steel Services Centre Sdn. Bhd. and B.A.P. Industries Sdn. Bhd.

He also served as Exco Member of Kelab Vendor Perodua (KVP) for two terms (2013 to 2016). He is currently the auditor to KVP and was the auditor to Honda Supplier Club for the last two terms.

He does not hold any directorships in public companies and listed issuers in Malaysia.

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. He holds 60,000 Ordinary Shares directly in the Company.

Notes to Key Senior Managements' Profile:

1. *All of the Key Senior Management of SMIS are Malaysians.*
2. *Other than traffic offences, none of the Key Senior Management of SMIS has any conviction for offenses within the past five (5) years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2019. This MD&A has been prepared as of 5 May 2020.

Calculations of Earnings Before Interests, Taxes, Depreciations and Amortisation ("EBITDA"), adjusted net income and adjusted earnings per share contained herein are not measures of performance under the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. EBITDA as earnings before interest, taxes, depreciation and amortisation, adjusted net income and adjusted earnings per share are used by the management to facilitate performance and measurement comparisons from period-to-period. Whilst we believe some investors and analysts may use them as well, these measures as calculated may not be comparable to similar titled measures used by other companies.

Forward-looking statements and outlook express herein are subject to various risk and uncertainties, many of which are beyond our control and may cause actual results to differ materially from that disclosed or implied. These statements reflect the current views and expectations regarding future outlook and expectations as of the date of the MD&A. The reader is cautioned to consider these risk and uncertainties and not put undue reliance on forward looking statements and outlook.

We undertake no obligation to update or revise the information in this MD&A except as may be required by applicable laws and regulations.

OVERVIEW

We are mainly an automotive parts manufacturer/supplier with lesser portion of SMIS Group business generated from industrial spares trading.

Our products are supplied to Malaysia, Indonesia and Thailand. Business from the industrial spares and braking components are supplied out of Malaysia whilst automotive carpets are supplied from Malaysia and Indonesia.

RESULTS AND TRENDS

Table A summarises the results for each business segment of the Group in 2019.

Table A	**RM'000**		**RM'000**
Years ended 31 December	**2019**	**Change**	**2018**
Sales			
Automotive	116,755	0.9%	115,658
Machinery	8,983	(26.2%)	12,165
Others	-	(100.0%)	105
Profit/(Loss) for the financial year	975	124.6%	(3,969)
Profit/(Loss) for the financial year attributable to the owners of the Company	821	116.3%	(5,026)
Non-controlling interests	154	(85.4%)	1,057
Earnings per share	1.95	116.4%	(11.92)
EBITDA	9,351	49.0%	6,277

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

2019 COMPARED TO 2018

Revenue derived from the Automotive segment (Automotive carpets and Braking components) was higher by RM 1.1m which is in tandem with the increase in Malaysian automotive total industry volume of 1.0% as compared to previous year. Overall, the Automotive segment made a loss of RM 5.9m for the year against RM 1.1m in 2018.

Revenue from the carpet segment increased slightly by RM 0.9m as compared to the previous year. Revenue from the local carpet segment in 2019 was RM 72.0m with a Profit Before Tax ("PBT") of RM 1.1m (2018 PBT was RM 3.1m). The significant drop in profits is mainly due to cost increase as a result of the implementation of minimum wage. Our Indonesian operations recorded a turnover for the year of RM 4.8m against RM 5.2m in 2018. Losses incurred from the Indonesian operations was RM 2.4m against RM 2.5m in 2018.

The braking components segment grew marginally by RM 1.1m (turnover in 2019 was RM 39.9m vs RM 39.3m in 2018). The segment managed to narrow its loss for the year to RM 1.3m against a loss of RM 2.1m in 2018.

Revenue from Industrial spares segment contracted to RM 9.0m from RM 12.2m in 2018 mainly due to the turmoil experienced in the palm oil sector. The segment recorded a net PBT of RM 5.2m. However; of this amount, RM 5.5m was attributable to gains from sale of non-core asset. The operational results for 2019 was a loss of RM 0.3m against an operational profit of RM 1.2m for the previous year.

SEGMENT STRATEGIES AND CHALLENGES

Automotive carpets

Strategy

The long term strategy of harnessing technical and strategic partnerships and alliances to provide quality products with superior performance to the market remains unchanged. The Group is working towards increasing its revenue from Indonesia as a strategy to diversify its country dependent risk.

In the mid-term, the Group is focused on cost control and increase in operational efficiency so as to remain competitive and yet technologically relevant. These initiatives are necessary as the volumes fall due to the COVID-19 pandemic. Continuous process improvements remains crucial in our operations and is critical in providing efficiency, cost advantage and capacity improvements.

Challenges

Competition from well-established competitors, low industry volumes, weak economic sentiments, higher labour cost as a result of implementation of minimum wage, foreign exchange volatility affecting cost of raw materials, attracting and retaining skilled workforce.

Braking Components

Strategy

Establish long term tie up with global braking system providers and strengthening our position as a tier 2 manufacturer remain as key strategy. In the mid-term, the segment is venturing into the replacement market within the region for braking components and diversifying into non-automotive products (e.g. oil & gas, aerospace and power infrastructure).

Challenges

Securing a technical tie up with a tier 1 or a Japanese based braking system manufacturer and lack of reference or experience in non-automotive sector.

MANAGEMENT DISCUSSION AND ANALYSIS
CONT'D

Industrial Spares

Strategy

Build strategic alliances to generate more value adding proposition to improve customers' performance. To balance the practice of close collaboration with constant search for better products and niche markets to stay flexible. Securing innovative products and services offering for various different industries would be a key factor.

Challenges

Competition from other distributors and manufacturers' increasingly selling directly to the end user.

FORWARD LOOKING AND OUTLOOK

Automotive Carpets and Braking Components

We foresee revenue and earnings to fall for 2020 as a result of the COVID-19 pandemic and the Movement Control Order (MCO) which has to date halted production for six (6) weeks. The Malaysian Automotive Association has revised their forecast downwards for the 2020 Total Industry Volume from 607,000 units to 400,000 units. Our Indonesia operations is expected to face similar prognosis. However; we are confident in maintaining our current market share as the market leader in Malaysia.

Industrial spares

Recent market conditions has impacted negatively on the company in terms of revenue and profits. The company is pro-actively working with suppliers and customers to secure orders and at the same time reducing the risk involved. Major sectors we operate in has been impacted by the trade tensions within the palm oil sector and more recently; the COVID-19 and MCO, causing revenue to drop drastically. The company would continue to venture to new sectors and also overseas markets whilst working on cost down measures to minimise losses.

SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

INTRODUCTION

SMIS Group has always integrated sustainability into our corporate strategy and business practices. We are of the belief that the business, all stakeholders, the environment and society is in a symbiotic relation. Thus, it is crucial that each operates in a responsible manner for the betterment of all. For the Group to thrive, we are always mindful of the impact of doing business. As such, we continuously seek ways to give back and improve the manner we operate.

The content of this Sustainability Statement narrates SMIS Group's sustainability efforts from 1 January 2019 to 31 December 2019, encompass the Group's operations in Malaysia but has excluded the overseas subsidiaries for the time being due to their relative sizes. SMIS Group intends to extend the coverage to include the overseas subsidiaries in the coming years when the overseas operations have grown further to become sizeable entities and the impact of such initiatives would be deemed material enough in the local communities they operate in.

The Group has considered the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia Listing Requirements"), and sets out what the Board considers as material sustainability risks and opportunities, collectively known as Material Sustainability Matters, that impact the way the Group's operations are carried out and how such Material Sustainability Matters are managed accordingly. The report is prepared in accordance to Sustainability Reporting Guide and its accompanying Toolkits, as issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

SUSTAINABILITY GOVERNANCE

The Group's sustainability efforts are entrusted to the Chairman and Executive Director by the Board of Directors. SMIS's Sustainability Committee, led by the Chairman and Executive Director oversees the planning and execution of sustainability strategies to ensure that the sustainability matters are implemented throughout our business operations.

The Sustainability Committee comprises of key senior management as well as the respective business unit head will identify, evaluate, monitor and manage risks as well as opportunities that are relevant to the Group's business operations relating to economic, social and environmental aspects. Together, the Sustainability Committee will also formulate appropriate sustainability initiatives that are in line with the Group's business values and aspirations.

STAKEHOLDER ENGAGEMENT

We believe that it is crucial for us to develop sustainability strategies and identify Material Sustainability Matters that are of great importance to our key stakeholders. Thus, we embarked on our sustainability journey by engaging our key stakeholders through different communication channel as we believe that keeping our stakeholders abreast on matters related to our business operations is integral towards creating business transparency and accountability. The table below reflects our stakeholder engagement and their respective key emphasis.

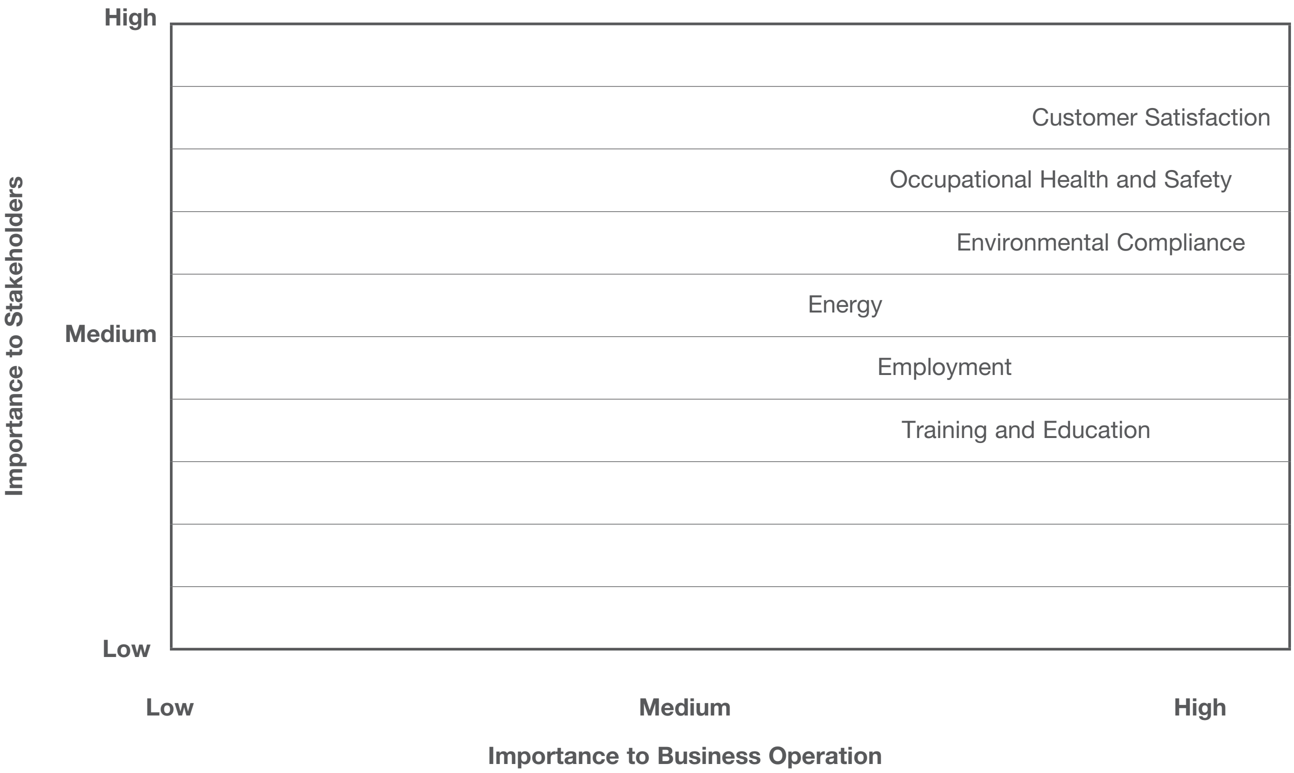
Stakeholder	Key Emphasis	Communication Channel/Platform
Employees	Recognise and value human capital development and enhancing competencies to drive competitiveness in achieving business goals	• Continuous learning, education and training programmes • Performance Management System (PMS) • Small Kaizen Group Activities (SKG) • Trainee programme • Sports & Recreational activities • Academic Excellence Award
Customers	Ensure meeting our customers' quality, cost, delivery expectations	• Customer satisfaction index • Face-to-face meeting • Feedback through e-mail
Suppliers	Prompt payment Steady stream of contracts	• Establish procurement procedure • Supplier evaluation • Supplier development program

SUSTAINABILITY STATEMENT
CONT'D

Stakeholder	Key Emphasis	Communication Channel/Platform
Shareholders	Build a rewarding, open and trusting relationship with our shareholders	• Annual General Meeting • Quarterly Bursa Announcements • Annual financial reports • Corporate websites
Government Bodies and Regulators	Engage relevant Government agencies and Regulators to ensure full compliance	• Discussions on issues related to new and updated regulations • Seminars/briefing/discussions organised by Regulators
Local communities	Develop programmes to assist local communities	• Organise Corporate Social Responsibilities ("CSR") activities

MATERIALITY MATRIX

Materiality sustainability matters refer to the key issues related to economic, social and environmental that impact the sustainability of our business operations. Top management regularly discusses sustainability issues and its relevant performance metrics across the group companies. This process provides the basis for the development of materiality matrix and it is built on an assessment of sustainability issues relevant to the business and analysis of the Group's underlying risks and opportunities. In 2019, we have identified 6 key materiality issues which are illustrated below.



SUSTAINABILITY STATEMENT
CONT'D

Economic

1) Customer Satisfaction

Customer satisfaction is essential to uphold our reputation as an automotive parts manufacturer and supplier and is one of the key factors for us to grow, sustain our business and for us to remain competitive. We strive to exceed our customers' expectations in terms of quality, cost, delivery and design or development capability. The Group consistently invests in Research and Development (R&D) and new technology to stay relevant and improve on our product quality and development capability. Besides, our various supplier development programs help us maintain quality level, cost competitiveness and delivery commitments.

In upholding our commitment to ensure product quality, the Group has taken the added measure to obtain certification for management systems that are relevant to our business operations as presented below:

- All our business units are ISO 9001:2015 certified which is a quality management system standard. We are able to demonstrate the ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements and enhance customer satisfaction through the effective application of the system;

- Both, Sugihara Grand Industries Sdn. Bhd. and Sanyco Grand Industries Sdn. Bhd. are ISO/TS 16949 certified which is an ISO technical specification needed for the Automotive industry, aimed at the development of a quality management system that provides for effective products development, risk management, continual improvement, emphasising defect prevention and the reduction of variation and waste in the automotive industry supply chain.

- In addition, Sanyco Grand Industries Sdn. Bhd. is also certified with AS9100, a certification that is needed in Aerospace industry. This certification is in lined with Sanyco Grand Industries Sdn. Bhd. business plan of venturing into Aerospace industry.

Number of customer complaint has also reduced from 14 cases in financial year ended 31 December 2018 ("FY2018") to 11 cases in financial year ended 31 December 2019 ("FY2019") as we continued to ensure our product quality excellence is maintained and preserve customer satisfaction to the highest level.

	FY2018	FY2019
Number of customer complaints	14	9
Number of customer line stop	0	2

Social

1) Occupational Health and Safety

We are aware that the nature of our business exposes our employees to occupational health and safety risk. The Group places importance on the health and safety of its employees and strives to maintain a workplace that is safe and risk-free and are continuously working towards cultivating a strong health and safety culture in the workplace. Across our operations, we maintain a safe and healthy working environment by implementing key measures to prevent injuries, fatalities and occupational illness.

We have set up safety committees to oversee the day-to-day occupational health and safety aspects. Safety officers enforce strict rules and regulations to ensure that the working environment is conducive, safe for employees and any third party who enters our plants are safe and free from harmful and dangerous materials. Suitable equipment, safety wear and helmets are provided to staff and visitors. Periodic audits, drills and checks are conducted to remind people working within the plant premises that health and safety remains top priority for the Group and that the Group remains unequivocal that safety rules and regulations must be strictly adhered to at all times.

To reinforce this, in-house and external trainings are conducted yearly to educate and create greater awareness amongst the employees on the importance of health and safety at the workplace. The CCCF Programme (Completely Check and Completely Find out) is a safety program from Toyota to identify risk at workplace is carried out twice a year.

SUSTAINABILITY STATEMENT
CONT'D

Every year before the long holiday for Hari Raya Aidilfitri, Sanyco Grand Industries Sdn. Bhd. safety committee organises "Kempen Balik Kampung", a road safety campaign. We also invite DOSH officer to do a briefing for our safety committee on the role and scope of the safety committee. The objective is to create road safety and vehicle road worthiness awareness among employees before the long journey back to their respective home town.

There are no major injuries in the past 2 years while the minor injuries has reduced from 2 cases to 1 case in year 2019. Good record-keeping enhances our safety performance, allowing us to identify area where safety conditions need to improve and apply preventive measures to avoid injuries.

	FY2018	FY2019
Number of major injuries/ industrial accidents	0	0
Number of minor injuries / workplace accidents	2	1

2) Employment

We acknowledge the importance of putting our people first as employees are the greatest asset that contributes to our competitive success. Having the right people with right skills is imperative and has a direct impact on the quality of products and services we provide. Hence, we aim to provide a conducive working environment and equip all our employees with appropriate skills to enhance their ability in confronting business challenges.

The Group believes that social diversity brings about a more balanced and effective workplace. The Group is respectful of all employees regardless of their gender, ethnicity, age or nationality and strives to retain diversity at all levels.

SMIS has maintained the practice of having at least one-third of female representation on the Board while at other levels within the Group, employees are also provided with equal and fair employment opportunities, career progression and pay equity.

We have summarised the ratios of women employed by the Group at different levels as at 31 December 2019 as below.

Ratio of Women employed	FY2018	FY2019
Board	40%	40%
Executive	30%	33%
Non-executive	20%	18%

Next Generation

We award our employees children who achieved good performance in their studies. This program has been running successfully within the Organisation for more than 10 years. In our recent statistic, the number of children getting the award is increasing from year to year where we would like to think that we had achieve our objective in encouraging our next generation to continue striving.

Education Sponsorship

Addition, we are also a working partner with SHRDC (Selangor Human Resource Development Center) where we offer "Education Sponsorship Program" to students who are currently studying that needs financial assistance. This program is also extended to all employees who want to boost their specialisation or increase their competitiveness within their current area of work.

3) Training and Education

We believe that enhancing product knowledge and developing the skills of our employees play an important role towards supporting our business growth and creates sustainable business value chain in the long-term. Employee development is an important factor that contributes to producing quality workforce, therefore we heavily focus on encouraging our employees to participate in training programmes that are relevant to their job scope.

For FY2019, 347 of our employees participated in training programmes that are relevant to their job scope as presented below:

- Automotive Functional Tolerance Analysis
- Certificate Quality Engineering
- ISO 14001:2015 Awareness Training
- Legal and Aspect Impact
- Internal Audit Training
- Malaysian Customs Procedures Shipping
- Effective Supervisory Skills
- In Machine & Robot Teaching Safety Training
- Safety Dojo
- Chemical Safety Management & Spillage Control Procedure Training
- Safe Operational Forklift Training
- Leading Teams with Impact
- Certified Job Analysis Specialist
- AS 9100 Awareness Training

Environment

1) Energy

Electricity consumption is one of the main environmental material matters as a manufacturing company as excessive energy consumption leads to high operational costs and contributes to energy wastage during our manufacturing operations.

Preliminary efforts to monitor and efficiently manage our energy consumption include record-keeping of our monthly electricity bills. By doing so, we will be able to formulate action plans to reduce electricity consumption via initiatives as mentioned below:

- By replacing fluorescent tubes with Light-Emitting Diodes (LED) and fitting them with reflectors a 45% saving in lighting cost was achieved.
- Installation of transparent roofing further helps reduce lighting cost during day shifts.
- Awareness trainings and briefing including posting reminder signage near switches

However, due to prolonged usage of machineries upon bulk orders from time to time, the electricity usage in terms of kilowatts ("kw") has increased from 6,501 kw to 7,054 kw. We are aware of the impacts of excessive energy consumption through electricity wastage and consistently look at ways to reduce our energy consumption.

Electricity Usage	FY2018	FY2019
Revenue (RM'000)	127,928	125,738
Electricity Wattage ('000 kw)	6,501	7,054
Electricity Value (RM'000)	2,683	3,110

SUSTAINABILITY STATEMENT
CONT'D

2) Resource Recycling

Proper and effective resource recycling is crucial as our manufacturing facilities generated waste material can result in the contamination of the surrounding water, soil and air, if extensive care is not provided at the point of disposal.

5Rs principles namely Reduce, Reuse, Recycle, Replace and Remove as part of our long term commitment to environment. The practice of the 5Rs principles with proper segregation of recyclable materials and proper disposal of waste materials is an established practice of the Group. Our production teams are constantly exploring ways to minimise the wastage generated which include keeping to the prescribed waste storage requirements and duration before disposing the waste through a licensed contractor.

As at FY2019, our plants meet environmental compliance requirements for SOC (Substance of Concern) and VOC (Volatile Organic Compound) while Sugihara Grand Industries Sdn. Bhd. is also ISO 14001:2015 (environmental management system) certified. There were also no material environmental laws related fines and non-monetary sanctions for the past 2 years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board" or "the Directors") of SMIS is committed to ensure that good corporate governance principles and practices are applied throughout the SMIS Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and to improve its financial performance.

The Board is guided by the Principles and Recommendations as promulgated by the Malaysian Code on Corporate Governance (the "MCCG"), Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia and Paragraph 15.25 of the Bursa Malaysia Listing Requirements.

The Board is pleased to provide the following Statement which sets out how the SMIS Group has applied the Principles and Recommendations of the MCCG and Bursa Malaysia Listing Requirements during the FY2019. Where there is a departure, clear and meaningful disclosure on why the practice was not applied and how the alternative practice achieves the Intended Outcome. The Corporate Governance Report is available on the Company's website at www.smis.com.my as well as via an announcement on the website of Bursa Malaysia.

This Corporate Governance Report should also be read in conjunction with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Reports on Board Committee and Sustainability Statement) as the application of certain corporate governance practices may be more evidently manifested in the context of the respective statements.

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

SMIS has benchmarked its practices against the relevant promulgations and higher order practices, across the three principles of MCCG, namely:

- Principle A: Board Leadership and Effectiveness;
- Principle B: Effective Audit and Risk Management; and
- Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

SMIS has consistently applied all the Practices espoused by the MCCG for the FY2019, except for the following:

- Practice 1.3 – Position of Chairman and CEO;
- Practice 4.6 – Sourcing of candidates for directorships using independent sources;
- Practice 7.2 – Disclosure on a named basis the Company's top five senior management's remuneration in bands of RM50,000;
- Practice 11.2 – Adoption of integrated reporting based on a globally recognised framework; and
- Practice 12.3 – Use of technology to facilitate remote shareholders participation during general meetings.

In line with the requirements of MCCG, the Group has provided clear and forthcoming explanations for departures from the Practices in the MCCG. With regards to departure in Practices, the Board has provided disclosures on the alternative measures in place which will achieve the similar outcomes of those Intended Outcomes of the MCCG. The explanations on the departures, supplemented with disclosure on the alternative practices are contained in the Corporate Governance Report.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

The Board believes that good corporate governance would result in sustainable long-term growth, stronger safeguard of the interest of all stakeholders, and enhancement of shareholders' value as well as the Group's financial performance.

The Board is supported by the Senior Management team, implements the Company's strategic plans, policies and decision adopted by the Board and oversees the operations and business development of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

Board of Directors

The Board is responsible for the effective control of the Group and has adopted the following principal responsibilities in discharging its fiduciary and leadership functions:-

i) reviewing and adopting a strategic plan including setting performance, objectives and approving operating budgets for the Group and ensuring that the strategies promote sustainability;
ii) overseeing the conduct of the Company's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and within a framework of prudent and effective controls which enables risk to be assessed and managed;
iii) reviewing the procedures to identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
iv) setting, reviewing and ensuring compliance with the Company's principles, values and ethos of the Company;
v) establishing proper succession planning, including appointing, assessing, training, fixing the compensation of and where appropriate, replacing Board and Senior Management;
vi) developing and implementing a Corporate Disclosure Policy (including an investor relations programme or shareholder communications policy) for the Group;
vii) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
viii) ensuring that the Company adheres to high standards of ethics and corporate behaviour; and
ix) ensuring the effective discharge of its oversight functions and responsibilities, the Board has established and delegated certain responsibilities to the Board Committees, namely, the Audit and Risk Committee ("ARC"), Nomination Committee ("NC") and Remuneration Committee ("RC").

The Board has a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. This includes strategic issues and planning, material acquisition and disposal of assets, capital expenditure, risk management policies, appointment of auditors and review of the financial statements, financing and borrowing activities, ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls.

The Board met five (5) times in the FY2019 and all directors attended these all meetings which they are eligibly invited. Details of the attendance of each member of the Board as set out on page 26 of this Annual Report.

Board Charter

The Board has adopted a Board Charter which serves as a reference point for the activities and provides guidance and clarity for Directors and Management with regard to the roles and responsibilities of the Board and its Board Committees.

The Board Charter is available in the Company's website at www.smis.com.my.

To ensure the continuous relevance of the Board Charter, the Board conducts regular review of the Board Charter as and when is necessary.

Composition of the Board

The Group is led and controlled by an effective Board, who have a wide range of expertise, extensive experience and come from diverse backgrounds. As at 31 December 2019, there were five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors.

Mr Tan Hock Soon was appointed as an Independent Non-Executive Director of the Company on 3 June 2019. He was also appointed as a Chairman of the NC and a member of the ARC on the same date.

Thus, the Board's composition complies with the Paragraph 15.02 of the Bursa Malaysia Listing Requirements that requires at least two (2) directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors as well as the Practice 4.1 of the MCCG which requires at least half the Board to consist of Independent Directors. None of the Directors hold more than five (5) directorships in listed issuer in Malaysia. A brief profile of each Director is presented on pages 5 to 9 of this Annual Report.

Where areas of conflict of interest arise, the Directors concerned will have to declare his/her interest and abstain from participating in the decision-making process.

During the FY2019, the Board had assessed the independence of its Independent Non-Executive Directors based on criteria developed by the NC and generally satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

Tenure of Independent Directors

In line with the MCCG and to enable a balance of power and authority in the Board, the Board Charter, which has been adopted by the Company, sets out the restriction on the tenure of an Independent Director to a cumulative term of nine (9) years. However, an Independent Director may continue to serve the Board upon reaching the 9-year limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the NC is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence.

As at date of this statement, none of the Independent Directors has served the Company for more than nine (9) years.

Board Diversity

The Board has adopted a Diversity Policy for the Board to maintain an appropriate balance of skill, knowledge, professional background and experience in its succession planning. Looking forward at upcoming requirements and identifying potential gaps; appointing the best individuals is critical in ensuring a high level of compliance and governance. The correct Board mix is also crucial for the success of the Group.

This Policy expresses the Board's commitment to ensure transparency and diversity in making appointments to the Board (and Board Committees) based on principles of non-discrimination; regardless of race, ethnicity, gender, age, disability religion or belief. The Board also upholds the promotion of fair participation and equal opportunity in embracing a spirit of inclusion for all individuals of the right calibre.

The Board maintains a good record on Board diversity in a wide range of backgrounds represented among the Board members. In terms of gender diversity, the Board currently comprises of 40% women representation. With regard to ethnicity diversity, the Board currently comprises of 80% Chinese and 20% Indian.

Composition and Attendance of Meetings

The number of Board and Board Committee Meetings held in FY2019 and the attendance of each member of the Board at the respective Board and Board Committee Meetings are as follows:-

		Meeting Attendance			
Name	**Designation**	**Board**	**NC**	**RC**	**ARC**
Ng Wai Kee	Executive Director & Chairman	5/5	-	1/1	-
Yap Siew Foong	Executive Director	5/5	-	-	-
Foo Lee Khean (resigned on 31 March 2019)	Senior Independent Non-Executive Director	1/1	-	-	1/1
Wern Li Morsingh	Independent Non-Executive Director	5/5	2/2	1/1	5/5
Oei Kok Eong	Independent Non-Executive Director	5/5	2/2	1/1	5/5
Tan Hock Soon (appointed on 3 June 2019)	Independent Non-Executive Director	2/2	1/1	-	2/2

The notice of a Board meeting is given in writing at least seven (7) days prior to the meeting. The agenda has included, amongst others, matters specifically reserved for the Board's decision.

Code of Conduct, Code of Ethics and Insider Dealing Policy

The Company has adopted the Code of Conduct for Directors, Management and Officers of the Group, to promote the corporate culture which engenders ethical conduct that permeates throughout the Company, to be in line with the MCCG.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

The Board continues to adhere to the Code of Ethics for Directors to enhance the standard of corporate governance and corporate behaviour and to focus on the Board and each Director on areas of ethical risk, provide guidance to Directors to help them recognise and deal with ethical issues, provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability.

The Board had also adopted an Insider Dealing Policy for Directors and employees who possess price sensitive information which is not generally available to the public are not allowed to trade in securities consistent with the Capital Markets and Services Act 2007, which prohibits insider trading. Notices on the closed period for trading in the Company's shares are sent to Directors and principal officers and the relevant employees on a quarterly basis. During the FY2019, none of the Directors dealt in securities of the Company during the closed period.

Copies of the Code of Conduct, Code of Ethics and Insider Dealing Policy are available on the Company's website at www.smis.com.my.

Following the amendment to the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009") to incorporate, among others, a new Section 17A on corporate liability in relation to anti-corruption measures, which came into effect on 1 June 2020, the Company had adopted the Anti-Bribery and Anti-Corruption Policy in accordance with the new Section 17A of the MACC Act 2009. A copy of the Anti-Bribery and Anti-Corruption Policy is available on the Company's website at www.smis.com.my.

Whistle Blower Policy

The Board has adopted the Whistle Blower Policy, which outlines when, how and to whom any concern may be properly raised about any actual or potential corporate fraud or improper conduct or unlawful conduct involving employee, officer or Management of the Company.

For the financial year under review, there were no whistleblowing cases were reported. Copy of the Whistle Blower Policy is available in the Company's website at www.smis.com.my.

Company Secretaries

The Company Secretaries play an advisory role to the Board in relation to the Company's Constitution, the Board's policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations.

The Company Secretaries are suitably qualified, competent and capable of carrying out the duties required and have attended training and seminars conducted by the Companies Commission of Malaysia, the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and Bursa Malaysia to keep abreast with the relevant updates on statutory and regulatory requirements such as updates on statutory on the Bursa Malaysia Listing Requirements, compliance with the Capital Markets and Services Act 2007 and Companies Act 2016, and to ensure adherence to the MCCG. The Board has access to all information within the Company and to the advice and services of the Company Secretaries.

The Company Secretaries, who oversee adherence with board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries attend all Board and Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the deliberations, proceedings and resolutions passed are taken and maintained accordingly in the statutory register at the registered office of the Company. In certain instances, the Board may clarify Bursa Malaysia Listing Requirements with the Company Secretaries and they are actively involved to advise the Board, when appropriate.

Directors' Training

The Board, via the NC, continues to identify and attend appropriate briefings, seminars, conferences, courses to keep abreast of changes in legislations and regulations affecting the Group. An induction programme will be arranged for newly appointed Directors to facilitate their understanding of the operations of the Group as well as the products and services offered by the Group.

All Directors have attended and completed the Mandatory Accreditation Programme pursuant to the Bursa Malaysia Listing Requirements. Given the varying training needs of each Director, all the Directors have continuously undergone training programmes to enhance their skills and knowledge.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

The Directors are mindful that they should receive appropriate continuous training. Continuous training is vital for the Board members to gain insight into the state of technology development, current economic outlook, and latest regulatory development and management strategies in relation to the Group's business.

Details of training attended by Directors during the FY2019 are as follows:-

No.	Name of Director	Programme	Date Attended
1	Ng Wai Kee	BURSA MALAYSIA THOUGHT LEADERSHIP SERIES - Sustainability Inspired Innovations : Enablers of the 21st Century	23 September 2019
		Introduction on Corporate Liability Provision - Malaysian Anti-Corruption Commission Amendment Act 2018, the overview and implications of Section 17A	22 October 2019
2	Yap Siew Foong	BURSA MALAYSIA THOUGHT LEADERSHIP SERIES - Sustainability Inspired Innovations : Enablers of the 21st Century	23 September 2019
		Introduction on Corporate Liability Provision - Malaysian Anti-Corruption Commission Amendment Act 2018, the overview and implications of Section 17A	22 October 2019
3	Wern Li Morsingh	CG Watch: How Does Malaysia Rank?	3 May 2019
		Cyber Security in the Boardroom: Accelerating from Acceptance to Action	27 June 2019
		Introduction on Corporate Liability Provision - Malaysian Anti-Corruption Commission Amendment Act 2018, the overview and implications of Section 17A	22 October 2019
4	Oei Kok Eong	Employing Big Data	14 March 2019
		Engagement Session with Audit Committee Members on Integrated Reporting	30 April 2019
		Sales Intelligence - Strategies for the Modern Company & Salesperson	16 May 2019
		The Secret of Body Language	21 June 2019
		Cyber Security in the Boardroom: Accelerating from Acceptance to Action	27 June 2019
		5G and Its Effects	17 July 2019
		Demystifying the Diversity Conundrum: The Road to Business Excellence	14 August 2019
		Transfer Pricing and Tax Planning	22 August 2019
		BURSA MALAYSIA THOUGHT LEADERSHIP SERIES - Sustainability Inspired Innovations: Enablers of the 21st Century	23 September 2019
		Vistage CEO Summit 2019	27 September 2019
		Case Study Workshop for Independent Directors	9 October 2019
		Introduction on Corporate Liability Provision - Malaysian Anti-Corruption Commission Amendment Act 2018, the overview and implications of Section 17A	22 October 2019
		Budget 2020 Malaysia	18 November 2019
5	Tan Hock Soon (appointed on 3 June 2019)	Securities Industry Development Corporation - Revolutionising Businesses through Blockchain	19 June 2019
		Introduction on Corporate Liability Provision - Malaysian Anti-Corruption Commission Amendment Act 2018, the overview and implications of Section 17A	22 October 2019

The Company Secretaries circulates the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefs the Board quarterly on any updates at Board meetings. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the financial year end.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT
CONT'D

Board Committees

The Board has also delegated specific responsibilities to three (3) Board Committees namely the ARC, NC and RC. All the Board Committees discharge their duties and responsibilities within their specific terms of reference as approved by the Board and report to the Board with their recommendations. The Board appoints the Chairman and members of each Board Committees. The ultimate responsibility for decision making, however, lies with the Board.

The Board acknowledges that the Chairman of the Board has taken the role of CEO in operating the businesses of the Group. Although the functions of the Chairman and the CEO are currently combined, the Board is of the opinion that no single person has excessive powers of decisions as:-

- Board Decisions are dependent on the consensus of the Directors, who take an active interest in all major and strategic decisions of the Group;
- The Independent Directors able to supply a strong independent element to the decision-making process;
- No single shareholder controls an absolute majority of the voting shares; and
- At all meetings of the Board, if the case required, the Board elects one of its members, other than the Chairman, to be the Chairman of the meeting, thus avoiding any unfettered power of decision-making in any one individual.

Based on the annual assessment conducted on the Board and its Committees for the financial year under review, the Board unanimously resolved that each of its committees has effectively discharged its duties and functions as guided by its respective Terms of Reference.

NC

The NC comprises entirely of Independent Non-Executive Directors and the members are as follows:-

Tan Hock Soon *(appointed on 3 June 2019)*	Chairman (Independent Non-Executive Director)
Wern Li Morsingh	Member (Independent Non-Executive Director)
Oei Kok Eong	Member (Independent Non-Executive Director)

The NC was formed by the Board with specific terms of reference, which cover, inter-alia, assessing and recommending to the Board the candidature of Directors, appointment of Directors to Board Committees and training programmes for the Board. In discharging its responsibilities, the NC has developed certain criteria used in the recruitment process and annual assessment of Directors. In evaluating the suitability of candidates, the NC considers, inter-alia, the required mix of skills, knowledge, expertise, experience, professionalism, integrity, competency, commitment (including time commitment), contribution and performance of the candidates, including, where appropriate, the criteria on assessing the independence of candidates' appointment as Independent Non-Executive Directors.

A selection process for new appointees to the Board as recommended by the NC has been adopted by the Board. The Committee assesses the suitability of candidates based on the criteria adopted before recommending to the Board for appointment. Following the appointment of new Directors to the Board, the Committee ensures that an induction programme is arranged, including visits to the Group's significant businesses and meetings with Senior Management personnel, as appropriate, to enable them to have a full understanding of the nature of the business, current issues within the Group and corporate strategies as well as the structure and management of the Group.

The Committee reviews annually the required mix of skills and experience of Directors and other qualities of the Board, including core-competencies which Non-Executive Directors should bring to the Board. The Committee also assesses annually the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual Director. The evaluation process is led by the Nomination Chairman and supported by the Company Secretaries. The Directors complete a questionnaire regarding the effectiveness of the Board and its Board Committees. This process includes a peer review where Directors assess their own and also their fellow Directors' performance. The assessment and comments by all Directors are summarised and discussed at the NC Meeting and reported to the Board Meeting by the NC Chairman. All assessments and evaluations carried out by the NC in discharging of its functions are properly documented.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

During the financial year under review, two (2) Committee meetings were held and attended by all its members. A summary of key activities undertaken by the NC in the discharge of its duties for the FY2019 is set out below:-

a) Reviewed and assessed the mix of skills, expertise, composition, experience and size of the Board, contribution of each Director and effectiveness of the Board and Board Committees;
b) Reviewed and assessed the performance, and made recommendations to the Board for its approval, regarding the Director who is seeking for re-election at the forthcoming AGM;
c) Assessed the overall Board and the Board Committees' performance and effectiveness as a whole;
d) Reviewed and assessed the independence of Independent Directors and their tenure of service;
e) Assessed Directors' training needs to ensure all Directors receive appropriate continuous training programmes; and
f) Reviewed and assessed the term of office and performance of the ARC and each of its members.

The NC, through the annual appraisal, was of the view that all the Directors and the Senior Management have the necessary character, experience, integrity, competence and sufficient time to discharge their respective roles effectively during the FY2019.

In accordance with the Company's Constitution, one-third (1/3) of the Directors are subject to retirement by rotation annually and all Directors shall retire from office at least once every three (3) years.

The Directors to retire each year are the Directors who have been longest in office since their last appointment or re-election. The Directors appointed during the financial year are subject to retirement at the next AGM held following their appointments in accordance with the Company's Constitution. All retiring Directors are eligible for re-election. The re-election of each Director is voted on separate resolution during the AGM of the Company. Based on the schedule of rotation, the following Directors are subject to retirement by rotation pursuant to the Company's Constitution at the forthcoming AGM:

a. Mr Ng Wai Kee – Clause 96 of the Company's Constitution; and
b. Mr Tan Hock Soon – Clause 103 of the Company's Constitution

All the aforesaid Directors have expressed their intention to seek for re-election at the forthcoming AGM.

Directors' Annual Assessment

The Board has formalised a Directors' Assessment Policy which developed the criteria to be used in the assessment of Board and Board Committees as well as the procedure for Board performance assessment.

The Directors' Assessment Policy is available on the Company's website at www.smis.com.my.

RC

The RC comprises three (3) members, majority of whom are Non-Executive Directors. The members of the RC are as follows:-

Wern Li Morsingh	Chairperson (Independent Non-Executive Director)
Oei Kok Eong	Member (Independent Non-Executive Director)
Ng Wai Kee	Member (Executive Director)

The RC, established by the Board, is responsible for setting the policy, framework and determining the remuneration of Directors so as to ensure that the Company is able to attract and retain its Directors needed to run the Group successfully. The components of Directors' remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

The RC is entrusted to recommend to the Board, the remuneration of Executive Directors and Non-Executive Directors of the Company in all its forms. The Executive Directors concerned play no part in deciding their own remuneration but may attend the Committee meeting at the invitation of the Chairman of the Committee if their presence is required. The determination of remuneration of Independent Non-Executive Directors is a matter for the Board, as a whole, with individual Director abstaining from discussion of his/her own remuneration. The Company's Constitution provide that any payment of Directors' fees should be approved at a general meeting.

During the financial year under review, one (1) Committee meeting was held and attended by all of its members. The RC reviewed and recommended to the Board, the remuneration for the Executive Directors of the Company and all the Independent Non-Executive Directors' fees, including the fees for the three (3) Independent Non-Executive Directors, for shareholders' approval at the Company's AGM.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT
CONT'D

Directors and Senior Management's Remuneration

The Board has formalised a Remuneration Policy for Directors and Senior Management which determine the level of remuneration package of Directors, CEO and Senior Management.

Remuneration components for the CEO, Executive Directors and Senior Management fixed salary are determined according to:-

- The scope of the duty and responsibilities;
- The conditions and experiences required;
- The ethical values, internal balances and strategic targets of the Company;
- The corporate and individual performance; and
- Current market rate within the industry and in comparable companies.

The bonus in the case of the CEO, Executive Directors and Senior Management is designed to reward outstanding performance. The bonus is granted to reflect the CEO, Executive Directors and Senior Management's performance as well as Group results. A discretionary assessment is made to ensure that all factors which include measurable and not directly measurable are considered.

Remuneration components for members of Board of Directors fixed fee are determined according to:-

- On par with the rest of the market;
- Reflect the qualifications and contribution required in view of the Group's complexity;
- The extent of the duty and responsibilities;
- The number of Board meetings; and
- The corporate and individual performance.

The benefits and allowances which should be decided by the Board as a whole include:-

- Chairman's allowance;
- Meeting allowance;
- Expenses incurred in the course of their duties as Directors; and
- Benefit in-kind such as motor vehicle, petrol, driver and accommodation.

The Remuneration Policy for Directors and Senior Management is available on the Company's website at www.smis.com.my.

Details of the Directors' remuneration includes fees, salary, bonus, benefits in-kind and other emoluments for the FY2019 are disclosed in the CG Report of the Company.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

ARC

The ARC comprises entirely of Independent Non-Executive Directors. The members of the ARC are as follows:-

Oei Kok Eong	Chairman (Independent Non-Executive Director)
Wern Li Morsingh	Member (Independent Non-Executive Director)
Tan Hock Soon *(appointed on 3 June 2019)*	Member (Independent Non-Executive Director)

The Chairman of the ARC is not the Chairman of the Board which allows the Board to objectively review the ARC's findings and recommendations.

The Board upholds the integrity of financial reporting by the Company. As such, it has established procedures, via the ARC, in assessing the suitability and independence of the External Auditors. Such procedures entail the provision of written assurance by the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

The ARC carried out an annual assessment on the performance, suitability and independence of the External Auditors based on the following key areas and concluded that the External Auditors have discharged their duties effectively and independently:-

a) Calibre of external audit firm;
b) Quality processes/performance;
c) Sufficiency of resources;
d) Independence and objectivity;
e) Audit scope and planning;
f) Audit fees; and
g) Audit communications.

The ARC members have met with the External Auditors twice (20 February 2019 and 28 August 2019) without the presence of the Management and Executive Directors during the financial year to discuss issues arising from any audit exercises or other matters, which the External Auditors may wish to raise.

The ARC works closely with audit partner assigned by Baker Tilly Monteiro Heng PLT ("Baker Tilly") to the Company, to act as the key representative for overseeing the relationship of the Company with the External Auditors. In compliance with the Malaysian Institute of Accountants, Baker Tilly rotates its audit partners every five (5) years to ensure objectivity, independence and integrity of the audit.

The External Auditors has confirmed in writing that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

The ARC had evaluated on the performance and independence of External Auditors on 4 April 2019 and recommended to the Board for re-appointment of Baker Tilly as External Auditors for the FY2019.

The ARC members reviewed the Company's quarterly and year-end financial statements of the Group before submission to the Board, focus in particularly on:

- Any changes in or implementing of major accounting policies and practices;
- The going concern assumption;
- Integrity of financial statements;
- Compliance with accounting standards and other legal requirements; and
- Significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed.

During the FY2019, the ARC members have continued to participate in training programmes to keep abreast with the current developments of the accounting and auditing standards, practices and rules.

Risk Management and Internal Control Framework

The Board retains full responsibility over the Group's risk management and internal control framework, which the ARC is tasked to discuss and update the report on risk management of the Company in every quarter, when significant risk has been identified or change in the risk profiles. The Board is required to review adequacy and integrity of the Group's risk management and internal control framework.

The Statement on Risk Management and Internal Control is set out on pages 40 to 43 of this Annual Report detailing the state and fundamentals of the risk management and internal control systems in the Group as well as the review mechanism of the Board.

The Company has in place an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of the Group. Reviews on the key risks identified were conducted to ensure proper management of risks within an acceptable risk profile and that measures are taken to mitigate any weaknesses.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

To assist the Board in maintaining a sound system of risk management and internal control for the purposes of safeguarding shareholders' investment and the Company's assets, the Company outsources the internal audit function to an independent professional services firm, namely Tricor Axcelasia Sdn. Bhd. (formerly known as Axcelasia Columbus Sdn. Bhd.) as it is the most cost-effective means of implementing an internal audit function.

The Head of Internal Audit reports directly to the ARC and assists the ARC in the discharge of its duties and responsibilities. Internal audit reports are presented, together with audit findings and recommendations as well as Management's response and proposed action plans, to the ARC on a quarterly basis.

Evaluation of the effectiveness of the internal audit function for the period from 1 January 2019 to 31 December 2019 was completed by ARC with the following criteria:

a) Adequacy of the scope of internal audit provided to the Group (e.g. regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the company);
b) Competency, i.e. qualification, experience and skill of the internal auditors ("IA") in discharging their functions and responsibilities effectively;
c) Resources of the internal audit functions (whether the existing IA teams is sufficient/effective in carrying out its objectives and meeting the IA plan);
d) Whether IA has the necessary authority to carry out its work;
e) Whether the internal audit function established is independent of the activities it audits and performed with impartially proficiency and due professional care; and
f) Whether the Head of IA has continuous engagement with the Chairman of the ARC to keep the Chairman of the ARC informed of matters affecting the Company and report directly to the ARC.

The ARC had evaluated the contribution and assessed the above criteria. Generally, the internal audit function had discharged their responsibilities in a commendable manner, performed competently, functioning effectively and have received sufficient resources and adequate authority from the Company and Management to carry out their works.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with stakeholders

The Company acknowledges that effective investor relations are essential in enhancing shareholder values.

The Board has implemented the corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulators, shareholders and stakeholders. Steps will be taken to formalise pertinent corporate disclosure policies to comply with the disclosure requirements as stipulated in the Bursa Malaysia Listing Requirements and practices adopted by the market as well to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

To this end, the Board provides Company's shareholders with timely releases of financial results on a quarterly basis and announcements on the Group's performance. Whilst the Company endeavours to provide as much information as possible, it is also aware of legal and regulatory framework governing release of material and price sensitive information.

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

The Company's AGM serves as a principal forum for dialogue with shareholders. Shareholders have direct access to Directors and are provided with sufficient opportunity and time to participate through questions on future prospects, performance of the Group, and other matters of concern. Members of the Board as well as external auditors are present to provide answers and clarifications at the meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

General Meetings

Notices of each general meeting are issued on a timely manner to all shareholders to ensure that they have sufficient time to prepare and digest issue to be raised during the meeting.

The AGM notice for the Company's Twentieth ("20th") AGM of the Company was served more than twenty-eight (28) days prior to the meeting and the AGM was held on 21 May 2019 with the presence of all the directors except for Mr Tan Hock Soon who was appointed on 3 June 2019. The Board Chairman, Chairman of the Board Committees and representative of External Auditors were available to response to the questions of shareholders during the AGM.

The meeting minutes of the 20th AGM held on 21 May 2019 is available on the Company's website at www.smis.com.my.

FOCUS AREAS AND FUTURE PRIORITIES ON CORPORATE GOVERNANCE

In 2019, the Board, against a challenging business backdrop, focused its attention on the foundational aspects of its roles as they relate to the creation of long-term value for stakeholders.

Areas which gained prominence from the Board during FY2019 and the forward looking action items that will help to achieve its corporate governance objectives are as follows:-

i) Anti-Bribery and Anti-Corruption Policy

The Board has adopted an Anti-Bribery and Anti-Corruption Policy in accordance with the new Section 17A of the MACC Act 2009. A copy of the Anti-Bribery and Anti-Corruption Policy is available on the Company's website at www.smis.com.my.

ii) Boardroom Independence

The Board has not developed a policy which limits the tenure of its Independent Directors to nine (9) years as yet. Nonetheless, the Board is mindful of the prescribed Practice of the MCCG pertaining to Board independence. The Board further recognises that tenure of directorship is not an absolute indicator of a Director's independence and objectivity wherein the spirit, intention, purpose and attitude should also be considered.

The NC has performed an assessment on the independence of all Independent Directors based on criteria approved by the Board and concluded that the Independent Directors have continued to demonstrate their independence through their engagement in meetings, providing objective challenge to the Management and bringing independent judgment to decisions taken by the Board.

iii) Professional Development of Directors

The NC ensures that new appointees of Board members are of individuals with integrity, high personal and professional ethics, sound business judgement and the ability and willingness to commit sufficient time to the Board.

The NC also ensures that all newly appointed Directors undergo an induction programme that is facilitated to provide them with an understanding of the operations of the SMIS. All the Directors of the Company have attended and successfully completed the Mandatory Accreditation Programme (MAP) pursuant to the requirement by Bursa Malaysia Listing Requirements. The NC is responsible for assessing the training needs of each Board members in order for them to enhance their skills and knowledge.

The trainings or conference/seminars attended by the Directors are set out in page 28 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
CONT'D

iv) Succession Planning

The Board, understands that succession planning is important for the continuity of SMIS's business operations, thus formulating a succession planning framework for its Board and Key Senior Management is critical. The Board, via the NC, will ensure that the succession planning aligns with the human resource policies and strategies of the Company and only high calibre personnel with the relevant skills and experience are appointed to the Board and management positions of the Company.

v) Boardroom Diversity

The Board of SMIS will focus its efforts to constitute a diverse Board which bears a variety in the dimensions of skills, experience, age, cultural background and gender. Candidates will be appointed based on their merit as well as value they bring towards raising the calibre of members that make-up the composition.

ADDITIONAL COMPLIANCE CONFIRMATION

a) Material Contracts Involving Directors' and Major Shareholders' Interest

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by SMIS and/or its subsidiary companies which involve Directors' and major shareholders' interests either still subsisting at the end of the FY2019 or entered into since the end of the previous financial year.

b) Recurrent Related Party Transactions

The details of the transactions with related parties undertaken by the Company during the FY2019 are disclosed in note 25 on page 110 to 112 of the notes to the financial statements.

c) Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to the External Auditors by the Company and the Group for the FY2019 are as follows:-

	Group (RM)	Company (RM)
Audit Fees	272,758	66,000
Non-Audit Fees	10,500	10,500
Total	283,258	76,500

d) Utilisation of Proceeds

There were no proceeds raised from any proposal during the FY2019.

This Statement is approved by the Board on 5 May 2020.

AUDIT AND RISK
COMMITTEE REPORT

AUDIT AND RISK COMMITTEE REPORT

The Board is pleased to present the Audit and Risk Committee ("ARC") Report for the FY2019 in accordance with Paragraph 15.15 of Bursa Malaysia Listing Requirements.

The ARC provides assistance to the Board in ensuring timely and accurate financial reporting, proper implementation of risk management policies and strategies in relation to the Group's business strategies and oversight of risk and internal control. It also reviews the Group's compliance with legal and regulatory requirements.

Attendance at Meetings

The ARC comprising entirely of Independent Non-Executive Directors. Members of the ARC and details of their attendance at meetings during the FY2019 were as follows:

Composition of Committee	No. of Meetings Attended
Oei Kok Eong Chairman *(Independent Non-Executive Director)*	5/5
Wern Li Morsingh Member *(Independent Non-Executive Director)*	5/5
Tan Hock Soon Member *(Independent Non-Executive Director)* *(Appointed on 3 June 2019)*	2/2

The ARC held five (5) meetings during the FY2019. The meetings were appropriately structured through the use of agenda and board papers containing information relevant to the matters for deliberation, which were distributed to members with sufficient notice.

The Executive Directors, Group Financial Controller, representatives of the Internal Auditors and representatives of the External Auditors normally attend the meetings. Other members of the Board and the Senior Management may attend the meetings upon invitation.

The ARC is in compliance with Paragraphs 15.09 and 15.10 of the Bursa Malaysia Listing Requirements.

TERMS OF REFERENCE OF THE ARC

The information on the Terms of Reference of the ARC is available on the Company's website at www.smis.com.my.

SUMMARY OF WORKS OF THE ARC

In accordance with the Terms of Reference of the ARC, the ARC had discharged its functions and duties and undertaken the following works to meet its responsibilities during the FY2019:

1. **Financial Reporting**

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

    (b) Reviewed the annual audited financial statements of the Group with the External Auditors prior to tabling to the Board for their consideration and approval.

2. **External Audit**

    (a) Reviewed the Audit Planning Memorandum of the External Auditors and the scope of their audits, including any changes to the scope of audit plan. Met with the External Auditors twice without the presence of Executive Directors and Management.

AUDIT AND RISK COMMITTEE REPORT
CONT'D

(b) Reviewed the overall performance of the External Auditors, including assessment of their independence, objectivity and effectiveness of the External Auditors and the services provided, including non-audit services and corresponding fees;

(c) Reviewed and recommended the re-appointment of External Auditors and the Audit Fees to the Board for its approval.

(d) Reviewed the Statement on Risk Management and Internal Control to be published in the Annual Report.

(e) Received from the External Auditors their written assurance confirming their independence to the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

(f) Reviewed the Audit Review Memorandum of the External Auditors in relation to audit and accounting issues arising from the audit and the Management's response before recommending to the Board of Directors for approval, including the Key Audit Matters.

3. Internal Audit

(a) Reviewed the adequacy of scope, competency and resources of the internal audit function. Met with the Internal Auditors once without the presence of Executive Directors and Management.

(b) Reviewed and approved the internal audit plan prepared by the Internal Auditors.

(c) Reviewed internal audit reports which outlined recommendations towards correcting areas of weaknesses and ensured that there are management action plans established for the implementation of internal auditors' recommendations.

(d) Reviewed the follow-up reports on status of the implementation of action plans by the Management in addressing the areas for improvements as reported from the previous audit reviews.

(e) Reviewed the results of the risk management exercise carried out for the Group.

(f) Reviewed the overall performance of the Internal Auditors, including assessment of their independence, technical competency and sufficiency of its resources to carry out its work.

4. Related Party Transactions

(a) Reviewed related party transactions and recurrent related party transaction entered into by the Company and the Group, taking into consideration conflict of interests that may arise.

(b) Reviewed the Circular to Shareholders relating to Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature prior to recommending it for Board's approval.

5. Ethical and Integrity Areas

The ARC did not receive any reports under the Whistle Blower Policy which, the ARC would have taken very seriously in its implementation and protection of its confidentiality as set out in the aforesaid policy.

6. Corporate Governance

(a) Reviewed disclosure statements on the ARC Report, Statement on Risk Management and Internal Control, Corporate Governance ("CG") Overview Statement, CG Report and Directors' Responsibility Statement in respect of the Audited Financial Statements for the FY2019 and ensured that these reports were prepared in accordance with the applicable requirements for inclusion in the Annual Report 2019 prior to the recommendation to the Board for adoption.

(b) Reviewed the Circular/Statement to Shareholders relating to Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature and Statement to Shareholders in relation to the proposed share buy-back prior to recommending it for Board's approval.

AUDIT AND RISK COMMITTEE REPORT
CONT'D

(c) Received updates from the External Auditors on the new developments in disclosure requirements arising from the revised Auditors Reporting Standard and the amendments to Bursa Malaysia Listing Requirements affecting the contents of the ARC Report in the annual reports, particularly on enhancement of disclosure on non-financial information, key audit matters and going concern.

INTERNAL AUDIT FUNCTION

The Group's internal audit function, which reports directly to the ARC, is outsourced to Tricor Axcelasia Sdn. Bhd. (formerly known as Axcelasia Columbus Sdn. Bhd.).

During the financial year under review, the outsourced internal audit function carried out the following audit activities:

(a) Prepared the risk based internal audit plan for the review and approval of the ARC.

(b) Carried out reviews in accordance with the risk based internal audit plan reviewed and approved by the ARC.

Details of the reviews carried out are as follows:

No.	Entities	Business Processes
1	Sugihara Grand Industries Sdn. Bhd. and Grand Carpet Industries Sdn. Bhd.	Management Information System and Human Resource Management
2	Machinery & Industrial Supplies Sdn Bhd	Sales and Marketing, Credit Control and Collection
3	PT Grand Surya Techno	Inventory Management and Procurement

Findings from the internal audit reviews conducted were discussed with Senior Management and subsequently presented, together with Management's response and proposed action plans, to the ARC for their review and approval at the quarterly ARC meeting. The outsourced internal audit function also carries out follow up review and reports to the ARC on the status of implementation of action plans pursuant to the recommendations highlighted in the internal audit reports.

Based on the internal audit reviews conducted, although a number of internal control deficiencies were identified during the reviews, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

Apart from the abovementioned internal audit reviews, the outsourced internal audit function also facilitated the update of the key risk profiles of SMIS and its active subsidiaries. The results of which were presented to the ARC at one of its scheduled quarterly meeting.

The total professional fees paid for the outsourcing of the internal audit function for the FY2019 was RM60,000 (2018: RM60,000).

In addition, the Internal Auditors met the ARC on 27 November 2019 without the executive members of the board and management team being present to discuss audit related matters.

CONTINUOUS TRAINING DEVELOPMENT

To enable the ARC to fulfill their role effectively, all its members had attended various seminars and training programs during the year. Details of the trainings are disclosed in the CG Overview Statement in this Annual Report.

EVALUATION OF THE ARC

Each ARC member had performed the self-evaluation assessment and the results were tabled to the NC for review and discussion prior to presenting the summary of assessment report to the Board of Directors for evaluation. The Board of Directors was satisfied that the ARC members had carried out their duties in accordance with the Terms of Reference and was also satisfied with their performance throughout the FY2019.

This report is made in accordance with the approval of the Board of Directors dated 5 May 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of SMIS is pleased to present the following Statement on Risk Management and Internal Control which outlines the nature and scope of its risk management and internal controls of the Group during the FY2019. This Statement on Risk Management and Internal Control was made pursuant to Paragraph 15.26 (b) of Bursa Malaysia Listing Requirements and in accordance with Part II of Principle B of the MCCG and the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” endorsed by Bursa Malaysia.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for the Group’s internal control and risk management systems, which includes the establishment of an appropriate internal control environment and framework that covers not only financial controls but also operational, organisational and compliance controls and reviewing the integrity, effectiveness and adequacy of these systems to determine the Group’s level of risk appetite and tolerance and actively identify, assess and monitor key business risks to ensure that the Group’s assets and the shareholders’ interests are safeguarded. Notwithstanding that, due to inherent limitations in any system of risk management and internal controls, the systems put into effect by Management can only manage and reduce but cannot totally eliminate all the risks of failure to achieve the Group’s business objectives. Consequently, the system can only provide reasonable but not absolute assurance against material misstatement, losses or fraud.

The process of identifying, evaluating and managing the significant risks is a concerted and continuing effort throughout the financial year under review. The Board will constantly be proactive to enforce and strengthen the Group’s risk management and internal control system.

KEY FEATURES OF THE GROUP’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

1. Risk Management Framework

The Board recognises that an effective risk management practices is essential for the Group in pursuit of its corporate objectives, in today’s challenging business environment and is a daily integral part of the Group’s business operations and performance. As such, the Board has established an appropriate risk management framework to ensure key risks are identified and relevant controls are implemented to manage such risks.

Whilst the Board maintains ultimate control over risk and control issues, Key Management staff and Heads of Department are delegated with the responsibilities to implement the system of risk management and internal control within defined parameters and standards. The risks such as finance, operations, regulatory compliance reputation, cyber security and sustainability were evaluated and deliberated and related mitigating responses are carried out at the periodic management meetings attended by the Executive Directors, Key Management staff and Heads of Department. Significant risks are communicated to the Board at its scheduled meetings, who are in consultation with the ARC. During the FY2019, the Group conducted a risk assessment exercise and updated its Key Risk Profile which was reported to the ARC.

The above mentioned practices of the Group serves as the on-going process used to identify, evaluate and manage significant risks which had been in place for the year under review and up to the date of this report. The Board shall re-evaluate the existing risk management practices, and where appropriate and necessary, revise such practices accordingly as well as the follow-up process.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

2. Internal Control System

Apart from having periodic internal audits, key elements of the Company's internal control systems are as follows:

- An organisational 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 ARC.

- The ARC members are all Independent Non-Executive Directors, which regularly review the risk management and internal control activities of the Group.

- 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.

- Timely and effective internal reporting involving the services of qualified professionals such as Auditors and Company Secretary.

- Operation review meetings are held by the management on a monthly basis to monitor the progress of business operations, deliberate significant issues and formulate appropriate measures.

- Certain of the Group's operations are certified by ISO 9001:2015, IATF 16949:2016 and ISO 14001:2015. With these certifications, reviews are conducted by independent external ISO auditors particularly to ensure compliance with the terms and conditions of the respective certifications.

- Machinery segment and Automotive segment are reviewed and certified by ISO 9001:2015 and IATF 16949:2016 respectively, where they meet specific requirements for quality management system and demonstrate their abilities to consistently provide products that meet customers' and applicable regulatory requirements. These enhance customers' satisfaction through effective application of the system, including processes for continual improvement of the system and assurance of conformity to customers' and applicable regulatory requirements.

- In addition to the above, Automotive segment is also reviewed and certified by ISO 14001:2015 where it meets specific requirements for environmental management standards and demonstrates its ability to establish, implement, maintain and improve its environmental management system to conform with its stated environmental policy.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to independent professional services firm to assist the Board and the ARC in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The internal auditors' reports were presented directly to the ARC. The scope of review of the outsourced internal audit function is determined and approved by the ARC.

During the FY2019, the internal audit function, led by the outsourced Internal Auditors, performed reviews in accordance with the internal audit plan approved by the ARC. Findings from the internal audit reviews, including the recommended improvement were presented to the ARC at their quarterly scheduled meetings and would thereafter be reported and recommendations be made to the Board. In addition, follow up visits were conducted to ensure that corrective actions have been implemented in a timely manner.

Based on the results of internal audit reviews, identified issues in internal control have been adequately addressed. Heads of Department continue to ensure that appropriate actions are taken to enhance and strengthen the internal control environment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

ASSURANCE FROM MANAGEMENT

The Executive Directors and the Group Financial Controller have given assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively in all material aspects based on the risk management framework adopted by the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement of Risk Management and Internal Control for the inclusion in the Annual Report of the Company for the FY2019 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Performance and AAPG 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls included in the Annual Report. Their work performed are restricted to the requirements by Paragraph 15.23 of the Bursa Malaysia Listing Requirements.

Based on their review, the External Auditors have reported that nothing has come to their attention that cause them to believe that the Statement of Risk Management and Internal Control intended to be included in the Annual Report of the Company is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

CONCLUSION

For the year under review, the Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' interests and the Group's assets. However, the Board is also aware that internal control systems and risk management practices must be evaluated periodically, and continuously evolve to ensure their continuous effectiveness to meet dynamic changes in the business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management framework.

This statement is approved by the Board of Directors on 5 May 2020.

DIRECTORS' RESPONSIBILITY STATEMENT

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 (the "Act") to prepare the financial statements for the FY2019 which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Act in Malaysia and the Bursa Malaysia Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of financial position of SMIS Group as at 31 December 2019, and of the financial performance and cash flows of the SMIS Group for the FY2019.

In preparing the financial statements, the Directors have:

- adopted suitable and appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured the adoption of applicable approved accounting standards; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the SMIS Group kept proper accounting records which disclose with reasonable accuracy the financial position of the SMIS Group in accordance with the Act. The Directors are also responsible for taking such steps to ensure that proper internal controls are in place to safeguard the assets of the SMIS Group, and to detect and prevent fraud and other irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are as stated in Note 9 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year, net of tax		
- Continuing operations	975	9,934
Attributable to:		
Owners of the Company	821	9,934
Non-controlling interests	154	-
	975	9,934

DIVIDENDS

No dividends has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2019.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

DIRECTORS' REPORT
CONT'D

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt within this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any shares or debentures.

DIRECTORS' REPORT
CONT'D

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2019, the Company held 2,637,000 treasury shares out of its 44,800,000 total number of issued shares. Such treasury shares are held at a carrying amount of RM1,192,000. Further details are disclosed in Note 15 to the financial statements.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Ng Wai Kee*	
Yap Siew Foong*	
Foo Lee Khean	(Resigned on 31 March 2019)
Wern Li Morsingh	
Oei Kok Eong	
Tan Hock Soon	(Appointed on 3 June 2019)

** Directors of the Company and certain subsidiaries*

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Chen Te-San	
Cheng, Ting-Kuo	
Kiwami Tsukihashi	
Robert Koong Yin Leong	
Shigeru Sugihara	
Soo Hak Min	
Tiang Soon Seong @ Ivan	(Resigned on 15 January 2019)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1.1.2019	Bought	Sold	At 31.12.2019
The Company				
Direct interest				
Ng Wai Kee	1,550,900	-	-	1,550,900
Yap Siew Foong	1,263,730	-	-	1,263,730
Indirect interest				
Yap Siew Foong*	15,680,000	-	-	15,680,000

** Shares held through a company in which the director has substantial financial interests.*

DIRECTORS' REPORT
CONT'D

DIRECTORS' INTERESTS *Cont'd*

By virtue of her interest in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Yap Siew Foong is deemed to have an interest in the ordinary shares of the subsidiaries during the financial year to the extent that the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in the ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as shown in Note 25 to the financial statements) 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.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND KEY MANAGEMENT

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and key management of the Company were RM5,000,000 and RM8,000 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 9 to the financial statements.

The available auditors' report on the accounts of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The details of significant events during the financial year are disclosed in Note 28 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The details of significant event subsequent to the end of the financial year are disclosed in Note 29 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 20 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

……………………………………………..

NG WAI KEE

Director

……………………………………………..

YAP SIEW FOONG

Director

Kuala Lumpur

Date: 5 May 2020

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	34,664	37,828	-	-
Land use rights	6	-	12,495	-	-
Right-of-use assets	7	15,631	-	-	-
Investment properties	8	857	4,173	-	-
Investment in subsidiaries	9	-	-	76,473	74,473
Deferred tax assets	10	92	61	-	-
Other receivable	12	-	-	3,623	-
Total non-current assets		**51,244**	**54,557**	**80,096**	**74,473**
Current assets					
Inventories	11	18,849	16,563	-	-
Tax recoverable		348	5,215	-	-
Trade and other receivables	12	26,982	28,091	317	3,930
Prepayments		1,216	1,001	-	-
Cash and short term deposits	13	13,978	14,408	733	416
Total current assets		61,373	65,278	1,050	4,346
TOTAL ASSETS		112,617	119,835	81,146	78,819
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	14	49,691	49,691	49,691	49,691
Treasury shares	15	(1,192)	(1,192)	(1,192)	(1,192)
Reserves	16	12,855	11,880	31,538	21,604
		61,354	60,379	80,037	70,103
Non-controlling interests		14,293	14,671	-	-
TOTAL EQUITY		**75,647**	**75,050**	**80,037**	**70,103**

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

CONT'D

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Loans and borrowings	**17**	4,531	6,470	-	-
Lease liabilities	**7**	910	-	-	-
Deferred tax liabilities	**10**	155	183	-	-
Total non-current liabilities		**5,596**	**6,653**	**-**	**-**
Current liabilities					
Loans and borrowings	**17**	9,890	14,538	-	-
Lease liabilities	**7**	528	-	-	-
Trade and other payables	**18**	20,839	23,378	1,109	8,716
Tax payables		117	216	-	-
Total current liabilities		**31,374**	**38,132**	**1,109**	**8,716**
TOTAL LIABILITIES		**36,970**	**44,785**	**1,109**	**8,716**
TOTAL EQUITY AND LIABILITIES		**112,617**	**119,835**	**81,146**	**78,819**

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue	19	125,738	127,928	13,399	4,300
Cost of sales		(114,235)	(111,407)	-	-
Gross profit		**11,503**	**16,521**	**13,399**	**4,300**
Other operating income		8,691	2,031	-	1
Administrative and distribution expenses		(15,067)	(15,357)	(5,465)	(570)
Other operating expenses		(2,626)	(4,132)	-	-
Net impairment (losses)/gains of financial instruments		(13)	4	2,000	350
Operating profit/(loss)	20	**2,488**	**(933)**	**9,934**	**4,081**
Finance income		35	78	-	-
Finance costs	21	(1,243)	(1,416)	-	-
Profit/(Loss) before tax		**1,280**	**(2,271)**	**9,934**	**4,081**
Income tax expense	22	(305)	(1,313)	-	-
Profit/(Loss) for the financial year from continuing operations		**975**	**(3,584)**	**9,934**	**4,081**
Loss for the financial year from discontinued operation, net of tax	23	-	(385)	-	-
Profit/(Loss) for the financial year		**975**	**(3,969)**	**9,934**	**4,081**
Other comprehensive income/(loss) for the financial year, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		153	(155)	-	-
Total comprehensive income/(loss) for the financial year		1,128	(4,124)	9,934	4,081

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

CONT'D

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Profit/(Loss) attributable to:					
Owners of the Company					
- From continuing operations		821	(4,654)	9,934	4,081
- From discontinued operation		-	(372)	-	-
		821	(5,026)	9,934	4,081
Non-controlling interests					
- From continuing operations		154	1,070	-	-
- From discontinued operation		-	(13)	-	-
		154	1,057	-	-
		975	**(3,969)**	**9,934**	**4,081**
Total comprehensive income/(loss) attributable to:					
Owners of the Company					
- From continuing operations		975	(4,810)	9,934	4,081
- From discontinued operation		-	(372)	-	-
		975	(5,182)	9,934	4,081
Non-controlling interests					
- From continuing operations		153	1,071	-	-
- From discontinued operation		-	(13)	-	-
		153	1,058	-	-
		1,128	**(4,124)**	**9,934**	**4,081**
Basis earnings/(loss) per share (sen):					
- From continuing operations		1.95	(11.04)		
- From discontinued operation		-	(0.88)		
	24	**1.95**	**(11.92)**		
Diluted earnings/(loss) per share (sen):					
- From continuing operations		1.95	(11.04)		
- From discontinued operation		-	(0.88)		
	24	**1.95**	**(11.92)**		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Group	Note	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Attributable to the Owners of the Company				→		
At 1 January 2019		49,691	(1,192)	(562)	12,442	60,379	14,671	75,050
Profit net of tax for the financial year		-	-	-	821	821	154	975
Other comprehensive income/(loss) for the financial year		-	-	154	-	154	(1)	153
Total comprehensive income for the financial year		-	-	154	821	975	153	1,128
Contributions by and distribution to owners of the Company								
- Dividend paid on shares	9	-	-	-	-	-	(531)	(531)
Total transaction with owners of the Company		-	-	-	-	-	(531)	(531)
At 31 December 2019		49,691	(1,192)	(408)	13,263	61,354	14,293	75,647

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

CONT'D

	Attributable to the Owners of the Company						
Group	**Share capital RM'000**	**Treasury shares RM'000**	**Foreign currency translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2018	49,691	(1,192)	(406)	17,468	65,561	11,209	76,770
Loss from discontinued operation, net of tax	-	-	-	(372)	(372)	(13)	(385)
Loss/(income) net of tax for the financial year from continuing operations	-	-	-	(4,654)	(4,654)	1,070	(3,584)
Other comprehensive (loss)/income for the financial year	-	-	(156)	-	(156)	1	(155)
Total comprehensive (loss)/income for the financial year	-	-	(156)	(5,026)	(5,182)	1,058	(4,124)
Contributions by and distribution to owners of the Company							
- Subscription of additional shares in a subsidiary company	-	-	-	-	-	2,404	2,404
Total transaction with owners of the Company	-	-	-	-	-	2,404	2,404
At 31 December 2018	49,691	(1,192)	(562)	12,442	60,379	14,671	75,050

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 December 2019
CONT'D

	Attributable to the Owners of the Company			
	Share capital	Treasury shares	Retained earnings	Total
Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2018	49,691	(1,192)	17,523	66,022
Profit and total comprehensive income for the financial year	-	-	4,081	4,081
At 31 December 2018	49,691	(1,192)	21,604	70,103
Profit and total comprehensive income for the financial year	-	-	9,934	9,934
At 31 December 2019	49,691	(1,192)	31,538	80,037

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit/(Loss) before tax:					
- From continuing operations		1,280	(2,271)	9,934	4,081
- From discontinued operation	23	-	(385)	-	-
		1,280	(2,656)	9,934	4,081
Adjustments for:					
Amortisation of land use rights		-	435	-	-
Bad debts written off		3	9	-	-
Depreciation of:					
- investment properties		33	66	-	-
- property, plant and equipment		6,782	7,016	-	-
- right-of-use assets		988	-	-	-
Dividend income from subsidiaries		-	-	(13,399)	(4,300)
Finance income		(35)	(78)	-	-
Finance costs		1,243	1,416	-	-
(Gain)/loss on disposal of:					
- property, plant and equipment		(296)	192	-	-
- investment properties		(6,585)	-	-	-
Impairment loss on:					
- trade receivables		-	155	-	-
- other receivable		20	-	-	-
- investment in a subsidiary		-	-	5,000	-
Inventories written off		-	49	-	-
Inventories written-down		272	-	-	-
Property, plant and equipment written off		-	522	-	-
Reversal of inventories written down		(76)	(356)	-	-
Reversal of impairment loss on:					
- investment properties		-	(532)	-	-
- trade receivables		(8)	(13)	-	-
- other receivables		(2)	-	(2,000)	(350)
Unrealised gain on foreign exchange		(470)	(611)	-	-
Operating profit/(loss) before working capital changes, carried forward		3,149	5,614	(465)	(569)

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2019

CONT'D

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D):				
Operating profit/(loss) before working capital changes, brought forward	3,149	5,614	(465)	(569)
Changes in working capital:				
Inventories	(2,482)	(103)	-	-
Receivables	1,474	4,601	1,990	(7,270)
Payables	(2,658)	264	(7,607)	7,340
Cash flows (used in)/generated from operating activities	(517)	10,376	(6,082)	(499)
Interest paid	(42)	(124)	-	-
Tax refund	5,349	31	-	-
Tax paid	(945)	(771)	-	-
Net cash flows generated from/(used in) operating activities	3,845	9,512	(6,082)	(499)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property, plant and equipment	(5,480)	(3,713)	-	-
Acquisition of investment properties	-	(350)	-	-
Subscription of additional shares of subsidiaries	-	-	(7,000)	(3,600)
Dividend income	-	-	13,399	4,300
Income received from short term investments	-	43	-	-
Interest received	35	35	-	-
Proceeds from disposal of property, plant and equipment	515	302	-	-
Proceeds from disposal of investment properties	9,868	-	-	-
Proceeds from disposal of short term investments	-	4,320	-	159
Net cash flows generated from investing activities	4,938	637	6,399	859

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2019
CONT'D

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from additional equity interest to non-controlling interests		-	2,404	-	-
Interest paid on borrowings		(1,201)	(1,292)	-	-
Payment of lease liabilities	**(a)**	(601)	-	-	-
Net (repayment)/drawdown of revolving credit	**(a)**	(5,022)	65	-	-
Net repayment of term loan	**(a)**	(2,096)	(5,114)	-	-
Dividend paid to non-controlling interest		(531)	-	-	-
Net cash flow used in financing activities		(9,451)	(3,937)	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		(668)	6,212	317	360
EFFECT OF EXCHANGE RATE CHANGES		(293)	492	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		14,408	7,704	416	56
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		13,447	14,408	733	416
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Deposits placed with a licensed bank	**13**	15	15	-	-
Cash and bank balances	**13**	13,963	14,393	733	416
Bank overdraft	**17**	(531)	-	-	-
		13,447	14,408	733	416

(a) Reconciliation of liabilities arising from financing activities:

	At 1 January (as previously reported) RM'000	Effect of adoption of MFRS 16 RM'000	At 1 January (as adjusted balance) RM'000	Net cash flows RM'000	Addition RM'000	Foreign exchange movement RM'000	At 31 December RM'000
Group							
2019							
Term loan	7,055	-	7,055	(2,096)	-	-	4,959
Revolving credit	13,953	-	13,953	(5,022)	-	-	8,931
Lease liabilities	-	677	677	(601)	1,329	33	1,438
2018							
Term loan	-	-	12,169	(5,114)	-	-	7,055
Revolving credit	-	-	13,888	65	-	-	13,953

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

SMIS Corporation Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at No 19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur.

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are as stated in Note 9 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the directors 5 May 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”), the International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”)

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

New MFRSs	
MFRS 16	Leases
Amendments/Improvements to MFRSs	
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures
New IC Int	
IC Int 23	Uncertainty over Income Tax Treatments

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group’s and the Company’s existing accounting policies, except for those as discussed below.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. BASIS OF PREPARATION *Cont'd*

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") *Cont'd*

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease*.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group has applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group has complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group.

On adoption of MFRS 16, for all its leases other than short-term and low value asset leases, the Group:

- recognised the right-of-use assets and lease liabilities in the statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. BASIS OF PREPARATION *Cont'd*

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") *Cont'd*

MFRS 16 Leases *Cont'd*

Impact of the adoption of MFRS 16 *Cont'd*

(i) Classification and measurement *Cont'd*

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases.

The Group also applied the following practical expedients wherein they:

(a) applied a single discount rate to a portfolio of leases with similar characteristics;
(b) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
(c) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
(d) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For land use rights that were classified as intangible assets under MFRS 138

The Group recognised the carrying amount of the land use rights under MFRS 138 immediately before transition as the carrying amount of the right-of-use assets at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

For leasehold land that were classified as property, plant and equipment under MFRS 116

The Group recognised the carrying amount of the leasehold land under MFRS 116 as the carrying amount of the right-of-use assets at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of rented premises, hostels and equipment that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. BASIS OF PREPARATION *Cont'd*

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") *Cont'd*

MFRS 16 Leases *Cont'd*

Impact of the adoption of MFRS 16 *Cont'd*

The effects of adoption of MFRS 16 as at 1 January 2019 (increase/(decrease)) are as follows:

	Adjustments	Group Increase/ (Decrease) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	(i)	(1,642)
Land use rights	(i)	(12,495)
Right-of-use assets	(i)	14,814
Total non-current assets		677
TOTAL ASSETS		677
LIABILITIES		
Non-current liabilities		
Lease liabilities	(i)	345
Total non-current liabilities		345
Current liabilities		
Lease liabilities	(i)	332
Total current liabilities		332
TOTAL LIABILITIES		677

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. **BASIS OF PREPARATION** *Cont'd*

2.2 **Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")** *Cont'd*

MFRS 16 Leases *Cont'd*

Impact of the adoption of MFRS 16 *Cont'd*

The lease liabilities as at 1 January 2019 can be reconciled to the operating commitments disclosed applying MFRS 117 as of 31 December 2018, as follows:

	2019 RM'000
Operating lease commitments as at 31.12.2018	975
Less:	
Commitments relating to short term leases	(671)
	304
Weighted average incremental borrowing rate as at 1.1.2019	5.42%
Discounted operating lease commitments as at 1.1.2019	285
Add:	
Lease payments not included in operating lease commitments as at 31.12.2018	392
Lease liabilities as at 1.1.2019	677

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. BASIS OF PREPARATION *Cont'd*

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") *Cont'd*

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2021#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2021#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2021#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2021#
MFRS 107	Statements of Cash Flows	1 January 2021#

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. BASIS OF PREPARATION *Cont'd*

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective *Cont'd*

The Group and the Company have not adopted the following new MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective (Cont'd):

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (cont'd)		
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2021#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2021#
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2021#
MFRS 138	Intangible Assets	1 January 2021#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2021#

 # Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

2.3.1 The Group and the Company plan to adopt the above applicable new MFRS, and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS, and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below.

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

2. BASIS OF PREPARATION *Cont'd*

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective *Cont'd*

2.3.1 The Group and the Company plan to adopt the above applicable new MFRS, and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS, and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. *Cont'd*

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures

The Malaysian Accounting Standards Board has issued *Interest Rate Benchmark Reform* (Amendments to MFRS 9, MFRS 139 and MFRS 7).

The *Interest Rate Benchmark Reform* amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80-125% range during the period of uncertainty arising from the reform.

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and have been rounded to the nearest thousand, unless otherwise stated.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

2. BASIS OF PREPARATION *Cont'd*

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

After initial recognition, goodwill in measured at loss less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.1 Basis of consolidation *Cont'd*

(a) Subsidiaries and business combination *Cont'd*

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period.

The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Transactions eliminated on consolidation

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

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.11(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests.

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.4 Financial instruments *Cont'd*

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when its business model for managing those assets change.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- Amortised cost

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.4 Financial instruments *Cont'd*

(a) Subsequent measurement *Cont'd*

The Group and the Company categorise the financial instruments as follows: *Cont'd*

(i) Financial assets *Cont'd*

Debt instruments *Cont'd*

- Fair value through other comprehensive income (FVOCI)

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- Fair value through profit or loss (FVPL)

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.4 Financial instruments *Cont'd*

(a) Subsequent measurement *Cont'd*

The Group and the Company categorise the financial instruments as follows: *Cont'd*

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(c) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive the cash flows from the financial asset expire, or

(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.4 Financial instruments *Cont'd*

(c) Derecognition *Cont'd*

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are 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 cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16 to the financial statements.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.5 Property, plant and equipment *Cont'd*

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Leasehold land	17 - 99 years
Buildings	20 - 50 years
Plant and machineries	5 - 10 years
Office equipment, furniture and fittings and renovations	3 - 50 years
Motor vehicles	3 - 10 years
Moulds and jigs	3 - 10 years

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate. Capital work-in-progress is stated at cost and is not depreciated until it is ready for its intended use. Upon completion, capital work-in-progress is transferred to categories of property, plant and equipment, depending on nature of the assets.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.6 Land use rights

Two lands purchased in Indonesia classified as land use rights are initially measured at cost. Following initial recognition, land use rights are measured at costs less accumulated amortisation and any accumulated impairment losses. The land use rights are amortised over their lease term of 32 years and 37 years respectively.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.7 Leases

(a) Definition of lease

Accounting policies applied from 1 January 2019

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(b) Lessee accounting

Accounting policies applied from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group present right-of-use assets and lease liabilities as separate lines in the statements of financial position.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.7 Leases *Cont'd*

(b) Lessee accounting *Cont'd*

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group use its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.7 Leases *Cont'd*

(b) Lessee accounting *Cont'd*

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, 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 assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge 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. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

(c) Lessor accounting

Accounting policies applied from 1 January 2019

When the Group is intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.7(b) to the financial statements, then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group applies MFRS 15 to allocate the consideration under the contract to each component.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.7 Leases *Cont'd*

(c) Lessor accounting *Cont'd*

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognise a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.8 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

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 Note 3.5(a) to the financial statements.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16 to the financial statements.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 50 years.

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfer are made to or from investment property only when there is change in use.

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials and 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.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

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.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.10 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.11 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.11 Impairment of assets *Cont'd*

(a) Impairment of financial assets *Cont'd*

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

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 non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. 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 or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.11 Impairment of assets *Cont'd*

(b) Impairment of non-financial assets *Cont'd*

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.12 Share capital

(a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(b) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

3.13 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

(c) Post-employment benefits

The Group recognise post-employment benefits liability in Indonesia in accordance with PSAK 24 (Revised 2015), "Employee Benefits" and Labor Law No. 13/2003 dated 25 March 2003.

As at 31 December 2019, the Group has not recorded any post-employment benefits liability as most of the employees are contractual employees.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.14 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.15 Revenue and other income

(i) Goods sold

The Group recognises revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group measures revenue from sale of good at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group expects to better predict the amount of consideration to which it is entitled.

The Group manufactures and trades a range of automotive and machinery parts to customers. Revenue from sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with a credit term range of 60 to 180 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience with the customer's purchasing pattern is used to estimate and provide for the discounts, using the expected value method. The Group uses the expected value method because it is the method that the Group expects to better predict the estimated volume discounts to which it will be provided to the customers. The estimated volume discounts recognised is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group's customary business practice is to allow a customer to return any defected product and receive a full refund. The Group uses its experience in estimating returns for this product and customer class. The Group uses the expected value method because it is the method that the Group expects to better predict the amount of consideration to which the products will be refunded. With that, upon transfer the control of the product, the Group does not recognise revenue for products that it is highly probable to be returned.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.15 Revenue and other income *Cont'd*

(i) Goods sold *Cont'd*

A contract liability is recognised for expected volume discounts payable to customers and for products expected to be returned from customers in relation to sales made until the end of the reporting period.

A right to recover goods from customer on settling the refund liability is recognised as an asset and included as part of inventories for the goods expected to be returned.

Where consideration is collected from customer in advance for sale of goods, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon sale of goods to the customer.

(ii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(iii) Dividend income from subsidiaries

Dividend income from subsidiaries is recognised when right to receive payment is established.

(iv) Interest income

Interest income is recognised using the effective interest method in profit or loss.

3.16 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.17 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.17 Income tax *Cont'd*

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) Sales and services tax

Revenues, expenses and assets are recognised net of amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales and services tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.18 Discontinued operation

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; 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. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is represented as if the operation has been discontinued from the start of the comparative period.

3.19 Earnings per ordinary share

The Group presents basic earnings per ordinary 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, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

The basic and diluted EPS are equal as the Group has no dilutive potential ordinary shares.

3.20 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's Executive Director, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.21 Fair value measurements

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.22 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Inventories

Inventories are measured at the lower of cost and net realisable value. The review of valuation of these inventories at lower of cost and net realisable value by the directors are major source of estimation uncertainty.

The carrying amount of the Group's inventories is disclosed in Note 11 to the financial statements.

(b) Investment in subsidiaries

The Group assess whether there is any indication that the cost of investment in subsidiaries is impaired at the end of each reporting date. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from the subsidiary discounted at an appropriate discount rate.

Projected future cash flows are based on the Company's estimates calculated based on the operating results, approved business plans, sector and industry trends as well as future economic conditions.

The carrying amount of the Company's investment in subsidiaries is disclosed in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

5. PROPERTY, PLANT AND EQUIPMENT

Group	Note	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
Cost									
At 1 January 2018		9,202	19,396	61,262	16,324	1,934	14,668	797	123,583
Additions		-	-	1,930	92	105	508	1,078	3,713
Disposals/Written off		-	-	(244)	(1,634)	(201)	(26)	(29)	(2,134)
Reclassification		-	-	40	-	-	-	(40)	-
Transfer to investment properties	8	(1,572)	(1,572)	-	-	-	-	-	(3,144)
Transfer to land use rights	6	-	(593)	-	-	-	-	-	(593)
Exchange differences		-	(12)	(105)	(19)	(7)	(41)	(3)	(187)
At 31 December 2018		7,630	17,219	62,883	14,763	1,831	15,109	1,803	121,238
At 1 January 2019									
- As previously reported		7,630	17,219	62,883	14,763	1,831	15,109	1,803	121,238
- Effect of adoption of MFRS 16	7	(2,583)	-	-	-	-	-	-	(2,583)
Adjusted balance at 1 January 2019		5,047	17,219	62,883	14,763	1,831	15,109	1,803	118,655
Additions		-	-	2,406	986	397	673	1,018	5,480
Disposals/Written off		-	-	(428)	(192)	-	(429)	(6)	(1,055)
Reclassification		-	-		-	-	1,797	(1,797)	-
Exchange differences		-	9	77	18	5	31	-	140
At 31 December 2019		5,047	17,228	64,938	15,575	2,233	17,181	1,018	123,220
Accumulated depreciation									
At 1 January 2018		905	6,250	41,720	13,733	1,412	11,706	-	75,726
Depreciation for the financial year		36	347	3,696	856	165	1,916	-	7,016
Disposals/Written off		-	-	(239)	(1,145)	(201)	(26)	-	(1,611)
Transfer to investment properties	8	-	(176)	-	-	-	-	-	(176)
Exchange differences		-	-	(8)	(3)	(2)	(8)	-	(21)
At 31 December 2018		941	6,421	45,169	13,441	1,374	13,588	-	80,934
At 1 January 2019									
- As previously reported		941	6,421	45,169	13,441	1,374	13,588	-	80,934
- Effect of adoption of MFRS 16	7	(941)	-	-	-	-	-	-	(941)
Adjusted balance at 1 January 2019		-	6,421	45,169	13,441	1,374	13,588	-	79,993
Depreciation for the financial year		-	347	3,432	999	245	1,759	-	6,782
Disposals/Written off		-	-	(428)	(34)	-	(278)	-	(740)
Exchange differences		-	1	17	3	3	21	-	45
At 31 December 2019		-	6,769	48,190	14,409	1,622	15,090	-	86,080

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

5. PROPERTY, PLANT AND EQUIPMENT *Cont'd*

Group	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
Accumulated impairment loss								
At 1 January/31 December	-	-	2,244	208	-	24	-	2,476
Carrying amounts								
At 31 December 2018	6,689	10,798	15,470	1,114	457	1,497	1,803	37,828
At 31 December 2019	5,047	10,459	14,504	958	611	2,067	1,018	34,664

Company	Office equipment RM'000
Cost	
At 1 January 2018/31 December 2019	9
Accumulated depreciation	
At 1 January 2018/31 December 2019	9
Carrying amounts	
At 1 January 2018/31 December 2019	-

5.1 Assets pledged as security

Freehold land and buildings of the Group with carrying amounts of RM10,070,000 (2018: RM10,209,000) have been pledged to licensed banks as security for banking facilities granted to subsidiaries as disclosed in Note 17 to the financial statements.

5.2 Adoption of MFRS 16 *Leases*

Upon the adoption of MFRS 16 *Leases* as at 1 January 2019, the Group has reclassified two of its leasehold land and buildings which lease period range from 50 to 99 years with total carrying amount of RM1,642,000 to rights-of-use assets as disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

6. LAND USE RIGHTS

	Note	Group 2019 RM'000	Group 2018 RM'000
Cost			
At 1 January			
- As previously reported		13,185	13,073
- Effect of adoption of MFRS 16	7	(13,185)	-
Adjusted balance at 1 January		-	13,073
Transfer from property, plant and equipment	5	-	593
Exchange differences		-	(481)
At 31 December		-	13,185
Accumulated amortisation			
At 1 January			
- As previously reported		690	255
- Effect of adoption of MFRS 16	7	(690)	-
Adjusted balance at 1 January		-	255
Amortisation for the financial year		-	435
At 31 December		-	690
Carrying amounts			
At 31 December		-	12,495

In prior years, the Group has land use rights over two plots of state-owned land in Republic of Indonesia, with tenure of 37 years and 32 years respectively. As at 1 January 2019, the Group has adopted MFRS 16 Leases and has reclassified land use rights to right-of-use assets as disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group recognises a right-of-use assets and lease liabilities with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Right-of-use assets

Set out below are carrying amounts of right-of-use assets recognised and movement during the financial year:

	Leasehold Land RM'000	Buildings RM'000	Land use rights RM'000	Computers RM'000	Plant and machinery RM'000	Group Total RM'000
Cost						
At 1 January 2019						
- As previously reported	-	-	-	-	-	-
- Effect of adoption of MFRS 16	2,583	59	13,185	545	73	16,445
Additions	-	1,329	96	-	-	1,425
Exchange differences	-	33	347	-	-	380
At 31 December 2019	2,583	1,421	13,628	545	73	18,250
Accumulated depreciation						
At 1 January 2019						
- As previously reported	-	-	-	-	-	-
- Effect of adoption of MFRS 16	941	-	690	-	-	1,631
Depreciation for the financial year	36	367	417	151	17	988
Exchange differences	-	(2)	2	-	-	-
At 31 December 2019	977	365	1,109	151	17	2,619
Carrying amounts						
At 31 December 2019	1,606	1,056	12,519	394	56	15,631

Lease liabilities

	2019 RM'000
Current	528
Non-current	910
	1,438

During the financial year, the Group had total cash outflows for leases of RM601,000.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *Cont'd*

	2019 RM'000
Recognised in profit or loss:	
Interest expenses on lease liabilities (included in finance costs)	139
Expenses relating to short-term leases (included in cost of sales and administrative and distribution expenses)	572
Expenses relating to leases of low value assets that are not shown above as short-term leases (included in cost of sales and administrative and distribution expenses)	38

8. INVESTMENT PROPERTIES

		Group	
	Note	2019 RM'000	2018 RM'000
Cost			
At 1 January		5,443	1,949
Addition		-	350
Transfer from property, plant and equipment	5	-	3,144
Disposal		(4,253)	-
At 31 December		1,190	5,443
Accumulated depreciation			
At 1 January		1,106	864
Depreciation for the financial year		33	66
Transfer from property, plant and equipment	5	-	176
Disposal		(970)	-
At 31 December		169	1,106
Accumulated impairment loss			
At 1 January		164	696
Reversal of impairment loss		-	(532)
At 31 December		164	164
Carrying amounts			
At 31 December		857	4,173

Investment properties of the Group comprise of lands, shop offices, factory and service apartment of which lands, shop office, factory and service apartment had been disposed during the financial year. The investment properties are leased to third parties. The leases are renewable on a yearly basis.

Investment properties of the Group with carrying amounts of RM Nil (2018: RM3,099,000) have been pledged to licensed banks as security for banking facilities granted to subsidiaries as disclosed in Note 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

8. INVESTMENT PROPERTIES *Cont'd*

The following are recognised in profit and loss in respect of the investment properties:

	Group	
	2019	2018
	RM'000	RM'000
Rental income	77	332
Direct operating expenses:		
- income generating investment properties	(9)	(49)

Fair value information

Fair value of investment properties are categorised as follows:

	Group			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2019				
Building	-	-	1,625	1,625
2018				
Land	-	-	2,000	2,000
Buildings	-	-	9,795	9,795

Level 3 fair value

The fair value on the investment properties is determined based on sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in sales comparison approach is price per square foot of comparable properties of which the higher the price per square feet, the higher the fair value of the investment properties.

Transfer between levels of fair value hierarchy

There is no transfer between levels of fair value hierarchy during the financial year.

Valuation processes applied by the Group

The fair value on the investment properties are determined based on information available through internal research and directors' best estimates.

Highest and best use

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

9. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Cost		
At 1 January	82,754	71,564
Additions	7,000	11,190
At 31 December	89,754	82,754
Accumulated impairment		
At 1 January	8,281	8,281
Impairment loss for the financial year	5,000	-
At 31 December	13,281	8,281
Carrying amounts		
At 31 December	76,473	74,473

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective ownership interest 2019 %	Effective ownership interest 2018 %	Principal activities
Direct subsidiaries				
Grand Carpet Industries Sdn. Bhd.	Malaysia	100	100	Trading of carpet of all descriptions
Sanyco Grand Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing of automotive braking components and motorcycle components
Machinery & Industrial Supplies Sdn. Bhd.	Malaysia	100	100	Trading of machinery and industrial parts supplies
Sugihara Grand Industries Sdn. Bhd.	Malaysia	60	60	Manufacturing and trading of carpet of all descriptions
SMIS Grand Ventures Sdn. Bhd.	Malaysia	100	100	Investment holding
Cendana Eksotik Sdn. Bhd.	Malaysia	100	100	Investment holding
Exsilio Pte. Ltd. *	Singapore	96.67	96.67	Investment holding
PT Grand Surya Techno #	Indonesia	99.96	99.96	Manufacturing and selling of automotive floor carpet assy, trunk trims and luggage mats

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

9. INVESTMENT IN SUBSIDIARIES *Cont'd*

Details of the subsidiaries are as follows: *Cont'd*

Name of subsidiaries	Country of incorporation	Effective ownership interest 2019 %	Effective ownership interest 2018 %	Principal activities
Indirect subsidiaries held through Exsilio Pte. Ltd.				
Plaspoint Sdn. Bhd.	Malaysia	96.53	96.53	Dormant
PT Zusma Plastics #	Indonesia	96.67	96.67	Dormant
Indirect subsidiary held through SMIS Grand Ventures Sdn. Bhd. and Machinery & Industrial Supplies Sdn. Bhd.				
PT Sanyco Grand Indonesia #	Indonesia	100	100	Manufacturing of casting and machining
Indirect subsidiary held through Cendana Eksotik Sdn. Bhd. and Machinery & Industrial Supplies Sdn. Bhd.				
PT Grand Ventures Hartamas #	Indonesia	100	100	Investment holding

\# *Audited by an independent member firm of Baker Tilly International*
* *Audited by auditors other than Baker Tilly Monteiro Heng PLT*

9.1 Subscription of additional shares in subsidiaries

(i) On 3 June 2019, Cendana Eksotik Sdn Bhd ("Cendana") issued a total of 2,000,000 ordinary shares of which 2,000,000 ordinary shares were fully subscribed by the Company for a total cash consideration of RM2,000,000. The Company's effective ownership interest in Cendana is remained at 100%.

(ii) On 30 September 2019, SMIS Grand Ventures Sdn Bhd ("SGV") issued a total of 5,000,000 ordinary shares of which 5,000,000 ordinary shares were fully subscribed by the Company for a total cash consideration of RM5,000,000. The Company's effective ownership interest in SGV is remained at 100%.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

9. INVESTMENT IN SUBSIDIARIES *Cont'd*

9.2 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

Equity interests held by non-controlling interests

	Country of incorporation	Effective ownership interest 2019 %	Effective ownership interest 2018 %
Name of subsidiary			
Sugihara Grand Industries Sdn. Bhd.	Malaysia	40%	40%

Carrying amounts of non-controlling interests

	2019 RM'000	2018 RM'000
Name of subsidiaries		
Sugihara Grand Industries Sdn. Bhd.	14,497	14,891
Others	(204)	(220)
	14,293	14,671

Total comprehensive income/(loss) allocated to non-controlling interests

	2019 RM'000	2018 RM'000
Name of subsidiaries		
Sugihara Grand Industries Sdn. Bhd.	138	1,102
Others	15	(44)
	153	1,058

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

9. INVESTMENT IN SUBSIDIARIES *Cont'd*

9.3 Summarised financial information of material non-controlling interests:

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows:

	Sugihara Grand Industries Sdn. Bhd.	
	2019	2018
	RM'000	RM'000
Summarised statements of financial position		
At 31 December		
Non-current assets	20,654	21,950
Current assets	30,699	31,265
Non-current liabilities	(4,678)	(4,960)
Current liabilities	(10,605)	(11,202)
Net assets	36,070	37,053
Summarised statements of comprehensive income		
Financial year ended 31 December		
Revenue	71,905	70,703
Profit for the financial year	344	2,755
Total comprehensive income	344	2,755
Summarised cash flows information		
Financial year ended 31 December		
Cash flows from operating activities	4,508	8,954
Cash flows used in investing activities	(2,333)	(2,310)
Cash flows (used in)/from financing activities	(2,386)	564
Net decrease in cash and cash equivalents	(211)	7,208
Dividends paid to non-controlling interests	531	-

10. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Deferred tax assets	92	61
Deferred tax liabilities	(155)	(183)
	(63)	(122)

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

10. DEFERRED TAX ASSETS/(LIABILITIES) *Cont'd*

The net movement in deferred tax credited and charged to the profit and loss are as follows:

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	(122)	369
Recognised in profit or loss (Note 22)		
- temporary differences between net carrying amounts and the corresponding tax written down values of assets	39	113
- unutilised business losses	-	34
- unutilised capital allowance	50	-
- unutilised reinvestment allowance	(78)	(722)
- other deductible temporary differences	48	84
	59	(491)
At 31 December	(63)	(122)

The deferred tax assets and liabilities are made up of temporary differences arising from:

	Group	
	2019	2018
	RM'000	RM'000
Deferred tax assets		
Deferred tax assets (before offsetting)		
- unutilised capital allowance	294	196
- unutilised business losses	-	34
- other deductible temporary differences	1,096	1,122
	1,390	1,352
Offsetting	(1,298)	(1,291)
Deferred tax assets (after offsetting)	92	61
Deferred tax liabilities		
Deferred tax liabilities (before offsetting)		
- temporary differences between net carrying amounts and the corresponding tax written down values of assets	(1,453)	(1,474)
Offsetting	1,298	1,291
Deferred tax liabilities (after offsetting)	(155)	(183)

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

10. DEFERRED TAX ASSETS/(LIABILITIES) *Cont'd*

Unrecognised deferred tax assets

The estimated amount of deferred tax assets calculated at the applicable tax rate, which are not recognised in the financial statements due to uncertainty of its realisation is as follows:

	Group	
	2019 RM'000	2018 RM'000
Unutilised business losses	13,610	11,388
Unutilised capital allowances	3,978	2,714
Other deductibles temporary differences	1,760	2,660
	19,348	16,762
Potential deferred tax assets not recognised at 24% (2018: 24%)	4,644	4,022

Pursuant to Section 11 of the Act 812, special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised business losses, to be carried forward for a maximum of 7 consecutive years of assessment, this section has effect from the year of assessment 2019 onwards.

11. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
At lower of cost and net realisable value		
Raw materials	9,903	9,305
Work-in-progress	1,288	1,174
Manufactured goods	1,493	941
Trading goods	4,932	4,157
Consumables	1,233	986
	18,849	16,563
Recognised in profit or loss:		
Inventories recognised as cost of sales	97,014	93,721
Inventories written-off	-	49

During the financial year, the Group reversed the previous inventories written down value of RM76,000 (2018: RM356,000) as a result of sales made on these inventories. The amount of reversal was included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Non-current					
Non-trade					
Amount owing from a subsidiary	(a)	-	-	3,623	-
Current					
Trade					
Trade receivables	(b)	23,860	28,039	-	-
Less: Impairment losses		(680)	(1,699)	-	-
		23,180	26,340	-	-
Non-trade					
Other receivables		8,097	5,992	-	-
Less: Impairment losses		(5,059)	(5,041)	-	-
		3,038	951	-	-
Deposits		700	567	-	-
GST refundable		64	233	-	-
Amount owing from subsidiaries	(c)	-	-	317	11,894
Less: Impairment losses		-	-	-	(7,964)
		3,802	1,751	317	3,930
Other receivables (Non-current)		-	-	3,623	-
Trade and other receivables (Current)		26,982	28,091	317	3,930

(a) Amount owing by a subsidiary represent advances to a subsidiary which is non-trade in nature, unsecured, and repayable by yearly installment of RM1,812,000, over 2 years commencing from financial year 2021.

(b) Trade receivables are non-interest bearing and the credit terms of trade receivables offered by the Group range from 30 to 180 days (2018: 30 to 180 days).

(c) Amount owing from subsidiaries are non-trade in nature, unsecured, interest free, repayable on demand and are expected to be settled in cash.

13. CASH AND SHORT TERM DEPOSITS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits placed with a licensed bank	15	15	-	-
Cash and bank balances	13,963	14,393	733	416
	13,978	14,408	733	416

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

14. SHARE CAPITAL

	Group and Company			
	Number of ordinary share		Amount	
	2019 Unit'000	2018 Unit'000	2019 RM'000	2018 RM'000
Issued and fully paid up:				
At 1 January/31 December	44,800	44,800	49,691	49,691

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. All ordinary shares rank equally with regards to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

15. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The Company's share buyback scheme was approved by the Company's shareholders in the Annual General Meeting held on 21 May 2019 for the Company to repurchase 10% of its issued ordinary shares. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The mandate for share buybacks was renewed in each subsequent Annual General Meeting of shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

At 31 December 2019, 2,637,000 (2018: 2,637,000) units of the Company's shares are being held as treasury shares. The number of outstanding ordinary shares in issue after set off is 42,163,000 (2018: 42,163,000).

16. RESERVES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable					
Foreign currency translation reserve	**(a)**	(408)	(562)	-	-
Distributable					
Retained earnings	**(b)**	13,263	12,442	31,538	21,604
		12,855	11,880	31,538	21,604

(a) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) Retained earnings

As at 31 December 2019, the Company is able to distribute the retained earnings under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

17. LOANS AND BORROWINGS

		Group	
		2019	2018
	Note	RM'000	RM'000
Non-current			
Term loan		4,531	6,470
Current			
Term loan		428	585
Bank overdraft		531	-
Revolving credit		8,931	13,953
		9,890	14,538
Total loans and borrowings			
Term loan	(a)	4,959	7,055
Bank overdraft	(b)	531	-
Revolving credit	(c)	8,931	13,953
		14,421	21,008

(a) Term loan

The term loan bears interest rates at 4.72% (2018: 4.72% to 4.97%) per annum and repayable by 180 monthly installments of RM36,000 (2018: RM20,000 to RM36,000).

The term loan is secured by way of:

(i) first party all monies charge and specific debentures created over freehold land and building of the Group as disclosed in Note 5 to the financial statements;

(ii) corporate guarantee issued by the Company.

(b) Bank overdraft

The bank overdraft of the Group bears interest rate at 8.32% per annum and is supported by corporate guarantee issued by the Company.

(c) Revolving credit

The revolving credit of the Group bears interest rates range from 5.61% to 6.11% (2018: 5.61%) per annum.

The revolving credit is secured by way of:

(i) third party all monies charge over freehold land and building of the Group as disclosed in Note 5 to the financial statements; and

(ii) corporate guarantee issued by the Company and its subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

18. TRADE AND OTHER PAYABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade					
Trade payables	(a)	14,181	15,556	-	-
Non-trade					
Other payables and accruals	(b)	6,658	7,822	175	271
Amount owing to subsidiaries	(c)	-	-	934	8,445
		6,658	7,822	1,109	8,716
Trade and other payables		20,839	23,378	1,109	8,716

(a) Credit terms of trade payables range from 30 to 120 days (2018: 30 to 120 days).

(b) Included in other payables and accruals of the Group is an amount of RM1,009,000 (2018: RM720,000) owing to a non-controlling interest. The credit terms granted by the non-controlling interest is 60 days (2018: 60 days).

(c) Amount owing to subsidiaries is non-trade in nature, unsecured, interest free, repayable on demand and is expected to be settled in cash.

19. REVENUE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Automotive parts	116,755	115,763	-	-
Dividend income	-	-	13,399	4,300
Machinery parts	8,983	12,165	-	-
	125,738	127,928	13,399	4,300
Timing of revenue recognition:				
At a point in time	125,738	127,928	13,399	4,300

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

20. OPERATING PROFIT/(LOSS)

Other than disclosed elsewhere in the financial statements, the following item have been charged/(credited) in arriving at operating profit/(loss):

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
After charging:				
Amortisation of land use rights	-	435	-	-
Auditors' remuneration:				
- Malaysian operations				
- current year	193	190	66	64
- prior year	-	4	-	3
- Overseas operations				
- current year	80	84	-	-
Non-statutory audit fees:				
- Malaysian operations	10	10	10	10
Bad debt written off	3	9	-	-
Depreciation of:				
- investment properties	33	66	-	-
- property, plant and equipment	6,782	7,016	-	-
- right-of-use assets	988	-	-	-
Foreign exchange loss:				
- realised	562	1,077	-	12
- unrealised	130	110	-	-
Impairment loss on:				
- other receivables	20	-	-	-
- investment in a subsidiary	-	-	5,000	-
Inventories written-down	272	-	-	-
Inventories written off	-	49	-	-
Personnel expenses (including key management personnel):				
- wages, salaries and others	21,946	19,868	153	163
- contribution to Employees Provident Fund	1,612	1,526	-	-
Property, plant and equipment written off	-	522	-	-
Rental expenses on:				
- factory	220	332	-	-
- staff housing facilities	201	153	-	-
- others	189	343	-	-

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

20. OPERATING PROFIT/(LOSS) *Cont'd*

Other than disclosed elsewhere in the financial statements, the following item have been charged/(credited) in arriving at operating profit/(loss): *Cont'd*

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
And crediting:				
Foreign exchange gain:				
- realised	(67)	-	-	-
- unrealised	(600)	(721)	-	-
Gain on disposal of:				
- property, plant and equipment	(296)	(38)	-	-
- investment properties	(6,585)	-	-	-
Rental income from:				
- premises	(108)	(42)	-	-
- investment properties	(77)	(332)	-	-
Reversal of impairment losses on:				
- trade receivables	(8)	(13)	-	-
- other receivables	(2)	-	(2,000)	(350)
- investment properties	-	(532)	-	-
Reversal of inventories written down	(76)	(356)	-	-

21. FINANCE COSTS

	Group	
	2019	2018
	RM'000	RM'000
Interest expenses on:		
- term loans	328	467
- bank overdraft	4	5
- revolving credit	730	825
- lease liabilities	139	-
	1,201	1,297
Other bank charges	42	119
	1,243	1,416

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

22. INCOME TAX EXPENSE

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Income tax expense:					
- current year		(199)	(707)	-	-
- prior year		90	(115)	-	-
		(109)	(822)	-	-
Deferred tax:					
- current year	10	59	(491)	-	-
Real property gain tax ("RPGT")		(255)	-	-	-
		(305)	(1,313)	-	-

Domestic income tax is calculated at the Malaysia statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax	1,280	(2,271)	9,934	4,081
Tax at applicable tax rate of 24% (2018: 24%)	(307)	545	(2,384)	(979)
Tax effect arising from :				
- non-deductible expenses	(718)	(1,127)	(1,312)	(136)
- tax exempt income	1,521	200	3,696	1,115
- difference in tax rates in other countries	19	(36)	-	-
- effect of adoption of MFRS 16	(33)	-	-	-
- unrecognised deferred tax assets	(622)	(780)	-	-
- RPGT	(255)	-	-	-
- prior years	90	(115)	-	-
Tax expense for the financial year	(305)	(1,313)	-	-

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

23. DISCONTINUED OPERATIONS

On 22 February 2018, the Group had discontinued its plastic resins trading and compounding business in Plaspoint Sdn. Bhd.

(i) Analysis of the result of discontinued operation and the result recognised on the re-measurement of disposal of assets is as follows:

	2018 RM'000
Revenue	-
Expenses	(385)
Loss before tax of discontinued operation	(385)
Income tax expense	-
Loss for the financial year from discontinued operation, net of tax	(385)

(ii) The following items have been charged in arriving at loss before tax:

	2018 RM'000
Impairment loss on trade receivables	155
Loss on disposal of plant and equipment	230

(iii) Cash flows used in discontinued operation:

	2018 RM'000
Net cash flows used in operating activities	(155)
Net cash flows used in investing activities	(230)
	(385)

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

24. EARNING/(LOSS) PER ORDINARY SHARE

Basic earning/(loss) per ordinary share

The calculation of basic earning/(loss) per ordinary share are based on the profit/(loss) for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2019 RM'000	2018 RM'000
Profit/(Loss) attributable to owners of the Company		
- From continuing operations	821	(4,654)
- From discontinued operation	-	(372)
	821	(5,026)
Weighted average number of ordinary shares:		
Issued ordinary shares	44,800	44,800
Effect of treasury shares held	(2,637)	(2,637)
Weighted average number of ordinary shares at 31 December	42,163	42,163
Basic earning/(loss) per ordinary share (sen)		
- From continuing operations	1.95	(11.04)
- From discontinued operation	-	(0.88)
	1.95	(11.92)

Diluted earning/(loss) per ordinary share

Diluted earning/(loss) per ordinary share are based on the loss for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earning/(loss) per ordinary share are equal as the Group has no dilutive potential ordinary share(s).

25. RELATED PARTY

(a) Identification of related parties

Parties are considered to be related to the Group if the Group or the Company 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 or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

The Company has controlling related party relationship with its direct and indirect subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

25. RELATED PARTY *Cont'd*

(a) Identification of related parties *Cont'd*

San Yes Automotive Technology Co. Ltd. is a substantial shareholder of the Company through its interest of more than twenty percent (20%) in MIYES Holdings Sdn. Bhd. ("MIYES"). The Company's director Yap Siew Foong has indirect interest in MIYES.

Sugihara Co. Ltd. ("SUGI-Japan") holds direct equity interest of more than twenty percent (20%) in a subsidiary of the Company, Sugihara Grand Industries Sdn. Bhd. ("SUGI"). Directors of SUGI, Shigeru Sugihara and Kiwami Tsukihashi are directors of SUGI-Japan.

Shigeru Sugihara is also substantial shareholder of SUGI-Japan.

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

(b) Significant related party transactions

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Dividend income				
- Machinery & Industrial Supplies Sdn. Bhd.	-	-	(5,000)	(2,200)
- Sanyco Grand Industries Sdn. Bhd.	-	-	-	(2,100)
- Grand Carpet Industries Sdn. Bhd.	-	-	(7,602)	-
- Sugihara Grand Industries Sdn. Bhd.	-	-	(797)	-
Purchase of goods				
- San Yes Automotive Technology Co. Ltd.	8	14	-	-
- Sugihara Co. Ltd.	2,080	705	-	-
Purchase of fixed assets				
- Sugihara Co. Ltd.	58	-	-	-
Royalties payable				
- Sugihara Co. Ltd.	793	686	-	-

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

25. RELATED PARTY *Cont'd*

(c) Compensation of key management personnel

The compensation of directors and other key management personnel are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors:				
- Fees	136	146	136	146
- Remuneration	869	823	17	18
- Contribution to Employees Provident Fund	162	153	-	-
	1,167	1,122	153	164
Other key management personnel:				
- Remuneration	516	470	-	-
- Contribution to Employees Provident Fund	57	52	-	-
	573	522	-	-
	1,740	1,644	153	164

26. CAPITAL COMMITMENTS

(a) Commitments

The Group has made commitment for the following capital expenditure:

	Group	
	2019 RM'000	2018 RM'000
Plant and machineries	585	548

(b) Lease commitments – as lessee

The Group has lease contract that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are RM178,000 within one year and RM485,000 within five years.

(c) Lease commitments – as lessor

The Group lease several of its properties which have remaining lease term between one to two years.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

26. CAPITAL COMMITMENTS *Cont'd*

(c) Lease commitments – as lessor *Cont'd*

The maturity analysis of the Group's lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	Group	
	2019 RM'000	2018 RM'000
Not later than one year	178	79
One to two year	84	34
	262	113

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned as amortised cost ("AC"):

	Carrying amounts RM'000	AC RM'000
2019		
Financial assets		
Group		
Trade and other receivables*	26,918	26,918
Cash and short term deposits	13,978	13,978
	40,896	40,896
Company		
Trade and other receivables	3,940	3,940
Cash and short term deposits	733	733
	4,673	4,673
Financial liabilities		
Group		
Loans and borrowings	14,421	14,421
Lease liabilities	1,438	1,438
Trade and other payables	20,839	20,839
	36,698	36,698
Company		
Other payables	1,109	1,109

* *Exclude GST refundable*

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

27. FINANCIAL INSTRUMENTS *Cont'd*

(a) Categories of financial instruments *Cont'd*

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned as amortised cost ("AC"): *Cont'd*

	Carrying amounts RM'000	AC RM'000
2018		
Financial assets		
Group		
Trade and other receivables*	27,858	27,858
Cash and short term deposits	14,408	14,408
	42,266	42,266
Company		
Other receivables	3,930	3,930
Cash and short term deposits	416	416
	4,346	4,346
Financial liabilities		
Group		
Loans and borrowings	21,008	21,008
Trade and other payables	23,378	23,378
	44,386	44,386
Company		
Other payables	8,716	8,716

* *Exclude GST refundable*

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company have adopted a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and the Company.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

27. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The Group determines the credit risk concentration of its trade receivables by industry sector profile on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Automotive parts	20,401	21,037
Machinery parts	2,779	5,295
Others	-	8
	23,180	26,340

Recognition and measurement of impairment losses

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

27. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(i) Credit risk *Cont'd*

Trade receivables *Cont'd*

Recognition and measurement of impairment losses *Cont'd*

The following table provides information about the exposure to credit risk and impairment losses for trade receivables:

Group	Gross RM'000	Credit impaired RM'000	Net RM'000
31 December 2019			
Not past due	18,371	-	18,371
Past due 0-30 days	1,473	-	1,473
Past due 31-90 days	1,267	-	1,267
Past due more than 90 days	2,749	(680)	2,069
	23,860	(680)	23,180
31 December 2018			
Not past due	16,041	-	16,041
Past due 0-30 days	7,678	-	7,678
Past due 31-90 days	2,216	-	2,216
Past due more than 90 days	2,104	(1,699)	405
	28,039	(1,699)	26,340

The movement in the allowance for impairment losses on trade receivables is as follows:

	Group	
	2019 RM'000	2018 RM'000
Credit impaired		
At 1 January	1,699	1,580
Charge for the financial year	-	155
Reversal for the financial year	(8)	(13)
Written off	(1,011)	(23)
At 31 December	680	1,699

Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

27. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(i) Credit risk *Cont'd*

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.11(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

The movement in the allowance for impairment losses on other receivables and other financial assets is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	5,041	5,041	7,964	7,964
Charge for the financial year	20	-	-	-
Reversal for the financial year	(2)	-	(2,000)	-
Written off	-	-	(5,964)	-
At 31 December	5,059	5,041	-	7,964

Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayment made by the subsidiaries.

The maximum exposure to credit risk amounts to RM14,421,000 (2018: RM21,008,000) representing the outstanding facilities of subsidiaries as at end of the reporting period.

As at end of the reporting period, there was no indication that any subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

27. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's treasury department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows			
	Carrying amounts RM'000	Under 1 year RM'000	2-5 years RM'000	> 5 years RM'000	Total RM'000
31 December 2019					
Group					
Term loan	4,959	653	2,411	3,260	6,324
Bank overdraft	531	531	-	-	531
Revolving credit	8,931	8,931	-	-	8,931
Trade and other payables	20,839	20,839	-	-	20,839
Lease liabilities	1,438	615	956	-	1,571
Company					
Other payables	1,109	1,109	-	-	1,109
31 December 2018					
Group					
Term loans	7,055	909	3,434	4,711	9,054
Revolving credit	13,953	13,953	-	-	13,953
Trade and other payables	23,378	23,378	-	-	23,378
Company					
Other payables	8,716	8,716	-	-	8,716

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

27. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales, purchases and cash and cash equivalents that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

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

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period were as follows:

	Denominated in						
	USD	JPY	EURO	THB	SGD	CNY	INR
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019							
Trade receivables	7	-	-	174	-	-	-
Other receivables	707	12	-	-	-	-	-
Cash and bank balances	588	-	-	25	-	-	-
Trade payables	(436)	(31)	-	(2,416)	-	(1,270)	-
Other payables	-	-	-	-	(8)	-	-
Exposure in the statements of financial position	866	(19)	-	(2,217)	(8)	(1,270)	-
2018							
Trade receivables	362	-	-	221	1	-	-
Other receivables	142	-	-	-	-	-	-
Cash and bank balances	862	-	-	-	-	-	-
Trade payables	(1,071)	(26)	(33)	(3,663)	-	(267)	-
Other payables	(479)	(35)	-	-	(18)	-	(4)
Exposure in the statements of financial position	(184)	(61)	(33)	(3,442)	(17)	(267)	(4)

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

27. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(iii) Foreign currency risk *Cont'd*

Foreign currency risk sensitivity analysis

The Group's principal foreign currency exposure relates mainly to United States Dollar ("USD"), Japanese Yen ("JPY"), European Currency ("EURO"), Thai Baht ("THB"), Singapore Dollar ("SGD"), Chinese Yuan ("CNY") and Indian Rupee ("INR").

The following table demonstrates the sensitivity to a reasonably possible change in the USD, THB and CNY, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Change in rate	Effect on profit or loss for the financial year 2019 RM'000	2018 RM'000
Group			
USD	+ 10%	66	(14)
	- 10%	(66)	14
THB	+ 10%	(168)	(262)
	- 10%	168	262
CNY	+ 10%	(97)	(20)
	- 10%	97	20

The exposure to currency risk of the Group on JPY, EURO, SGD and INR are not material and hence, sensitivity analysis is not presented.

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

The Group is presently enjoying competitive interest rates which are reviewed and negotiated on a yearly basis. The Group's surplus funds are placed as short term deposits with licensed banks.

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

27. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(iv) Interest rate risk *Cont'd*

Interest rate risk sensitivity analysis *Cont'd*

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

Group	Change in basis points	Effect on profit or loss for the financial year RM'000
2019	+ 100	(110)
	- 100	110
2018	+ 100	(160)
	- 100	160

(v) Market price risk

Market price risk is the risk of fluctuation in fair value or future cash flows of the Group's and of the Company's financial instruments as a result of changes in market price (other than interest or exchange rates).

The Group and the Company do not have exposure to market price risk as at the reporting date.

(c) Fair value measurement

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

The fair value of long term portion of the loans approximate to their carrying amount as it is a floating rate instruments.

The fair values of the other financial liabilities are calculated based on the present value of estimated settlement amounts.

28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the following transactions were completed:

(a) On 27 December 2018, Machinery & Industrial Supplies Sdn. Bhd., a direct wholly-owned subsidiary of the Company, had entered into a Sale and Purchase Agreement with Cyse Group Sdn. Bhd. to dispose two parcels of freehold lands together with two units four storey shop lot for a total consideration of RM5,700,000.

The disposal has been completed on 10 April 2019.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *Cont'd*

During the financial year, the following transactions were completed: *Cont'd*

(b) On 15 May 2019, Plaspoint Sdn. Bhd., an indirect subsidiary of the Company had entered into a Sales and Purchase Agreement with SSL Ventures Sdn. Bhd. to dispose of one parcel of freehold land with one unit of a single storey detached factory and a double storey office at a total consideration of RM3,750,000.

The disposal has been completed on 19 August 2019.

29. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

For the Group's and the Company's financial statements for the financial year ended 31 December 2019, the COVID-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group and the Company are unable to reasonably estimate the financial impact of COVID-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the COVID-19 will have adverse effects on the Group's and the Company's sales, operations and supply chains. The Group and the Company will continuously monitor the impact of COVID-19 on its operations and its financial performance. The Group and the Company will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

30. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and are determined to maintain an optimal gearing ratio and a consolidated shareholders' equity that complies with debt covenants and regulatory requirements.

No changes were made in the objectives, policies and processes during the financial years ended 31 December 2019 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

31. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Executive Director reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Automotive parts	Manufacturing and trading of carpet of all descriptions and manufacturing of automotive braking components and motorcycle components.
Machinery parts	Trading of machinery and industrial parts supplies.
Others	Investment holding.

Inter-segment pricing is determined on negotiated basis.

Segment profits

Segment profit is used to measure performance as the Group's Executive Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total of segment assets is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Executive Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Executive Director. Hence no disclosure is made on segment liabilities.

Geographical segments

Revenue and non-current assets information on the basis of geographical segments are based on the geographical location of customers and assets respectively. The amounts of non-current assets do not include financial instruments and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

31. OPERATING SEGMENTS *Cont'd*

Factors used to identify reportable segments

The factors used to identify the entity's reportable segments are based on each subsidiary's principal activities and the products manufactured.

	Automotive parts RM'000	Machinery parts RM'000	Other RM'000	Elimination RM'000	Notes	Total RM'000
2019						
Revenue						
Revenue from external customers	116,755	8,983	-	-		125,738
Inter-segment revenue	17,927	4	13,399	(31,330)		-
	134,682	8,987	13,399	(31,330)	(a)	125,738
Results						
Bad debts written off	(3)	-	-	-		(3)
Depreciation for:						-
- investment properties	(5)	(13)	(15)	-		(33)
- property, plant and equipment	(6,526)	(241)	(15)	-		(6,782)
- right-of-use assets	(551)	(20)	(417)	-		(988)
Gain on disposal on:						
- property, plant and equipment	296	-	-	-		296
- investment properties	345	5,538	702	-		6,585
Impairment loss on other receivables	(20)	-	-			(20)
Inventories written-down	-	(272)	-	-		(272)
Reversal of impairment loss on:						
- trade receivables	-	8	-	-		8
- other receivable	-	2	-	-		2
Reversal of inventories written down	-	76	-	-		76
Segment (loss)/profit	(5,911)	5,170	10,361	(7,132)	(b)	2,488
Finance income	1	34	-	-		35
Finance costs	(434)	(2)	(807)	-		(1,243)
Income tax expense	(281)	2	(26)	-		(305)
(Loss)/Profit for the financial year	(6,625)	5,204	9,528	(7,132)	(b)	975
Other information						
Segment assets	90,085	15,828	115,015	(108,311)	(c)	112,617
Segment liabilities	32,759	1,021	40,156	(36,966)	(c)	36,970

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

31. OPERATING SEGMENTS *Cont'd*

	Automotive parts RM'000	Machinery parts RM'000	Other RM'000	Elimination RM'000	Notes	Total RM'000
2018						
Revenue						
Revenue from external customers	115,658	12,165	105	-		127,928
Inter-segment revenue	13,224	10	4,300	(17,534)		-
	128,882	12,175	4,405	(17,534)	**(a)**	127,928
Results						
Amortisation of land use rights	-	-	(435)	-		(435)
Depreciation of investment properties	(6)	(29)	(31)	-		(66)
Depreciation of property, plant and equipment	(6,626)	(178)	(212)	-		(7,016)
Gain on disposal of property, plant and equipment	46	34	-	(42)		38
Impairment loss on trade receivables	-	-	(155)	-		(155)
Inventories written down	(49)	-	-	-		(49)
Property, plant and equipment written off	(29)	-	(493)	-		(522)
Reversal of impairment loss on:						
- investment properties	-	532	-	-		532
- trade receivables	8	5	-	-		13
Reversal of inventories written down	17	339	-	-		356
Segment (loss)/profit	(1,062)	1,694	(1,779)	214	**(b)**	(933)
Finance income	9	69	-	-		78
Finance costs	(497)	(2)	(917)	-		(1,416)
Income tax expense	(821)	(492)	-	-		(1,313)
Loss from discontinued operation, net of tax	-	-	(385)	-		(385)
(Loss)/Profit for the financial year	(2,371)	1,269	(3,081)	214	**(b)**	(3,969)
Other information						
Segment assets	104,414	16,506	116,204	(117,289)	**(c)**	119,835
Segment liabilities	32,374	1,903	57,869	(47,361)	**(c)**	44,785

NOTES TO THE FINANCIAL STATEMENTS
CONT'D

31. OPERATING SEGMENTS *Cont'd*

Reconciliation of reportable segment revenue, profit or loss, assets are as follows:

(a) Inter-segment revenues are eliminated on consolidation;

(b) Inter-segment income and expenses are eliminated on consolidation; and

(c) Inter-segment balances are eliminated on consolidation.

Geographical information

Revenue information based on the geographical location of customers and non-current assets information based on the geographical operations location of the Group are as follows:

	Revenue RM'000	Non-current assets RM'000
31 December 2019		
Malaysia	108,405	34,916
Indonesia	6,908	16,236
Thailand	10,425	-
	125,738	51,152
31 December 2018		
Malaysia	108,184	38,694
Indonesia	10,355	15,802
Thailand	9,377	-
Others	12	-
	127,928	54,496

Major customers

The following are major customers of automotive parts segment with revenue equal or more than 10% of the Group's total revenue:

	Revenue	
	2019 RM'000	2018 RM'000
Customer A	31,163	14,014
Customer B	14,165	55,589
Customer C	13,283	-

STATEMENT BY DIRECTORS
(Pursuant to Section 251(2) of the Companies Act 2016)

We, **NG WAI KEE** and **YAP SIEW FOONG**, being two of the directors of SMIS Corporation Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 52 to 126 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

....

NG WAI KEE
Director

....

YAP SIEW FOONG
Director

Kuala Lumpur

Date: 5 May 2020

STATUTORY DECLARATION
(Pursuant to Section 251(1) of the Companies Act 2016)

I, **NG WAI KEE**, being the director primarily responsible for the financial management of SMIS Corporation Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 52 to 126 are 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.

…………………………………………………..
NG WAI KEE

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 5 May 2020.

Before me,

…………………………………………………..
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of SMIS Corporation Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SMIS Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the By-Laws (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company of the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters below to be the key audit matters to be communicated in our report.

Group

Inventories (Note 4(a) and 11 to the financial statements)

The Group's inventories are measured at the lower of cost and net realisable value. Judgement is required in estimating their net realisable values and identifying slow-moving inventories.

Our response:

Our audit procedures included, among others:

- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable value on selected inventory items;
- reviewing whether the inventories have been written-down to their net realisable value for inventory items with net realisable value lower than their cost; and
- reviewing the inventory ageing prepared by the management. Samples are selected from the aging to test the accuracy of the ageing report.

INDEPENDENT AUDITORS' REPORT

To the Members of SMIS Corporation Berhad
CONT'D

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *Cont'd*

Key Audit Matters *Cont'd*

Company

Investment in subsidiaries (Note 4(b) and 9 to the financial statements)

The Company has determined whether there is any indication that the cost of investment in subsidiaries is impaired at the end of each reporting date. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use involves exercise of significant judgement on the discount rate applied and the assumptions supporting the underlying cash flows projection which include future sales, gross profit margin and operating expenses.

Our response:

Our audit procedures included, among others:

- comparing the actual results with previous projections to assess the performance of the business and historical accuracy of the projections;
- reviewing the profit projections by assessing the key assumptions such as growth rate and profit margin; and
- testing the mathematical accuracy of the profit projections calculation.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT

To the Members of SMIS Corporation Berhad
CONT'D

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

To the Members of SMIS Corporation Berhad

CONT'D

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
LLP0019411-LCA & AF 0117
Chartered Accountants

Ong Teng Yan
No. 03076/07/2021 J
Chartered Accountant

Kuala Lumpur

Date: 5 May 2020

SHAREHOLDINGS STATISTICS
As at 1 June 2020

ANALYSIS OF SHAREHOLDINGS

Total Number of Issued Shares	:	44,800,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Ordinary Share

(Against Total Issued Capital of 42,163,000)

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities*	% of Issued Capital*
1-99	25	2.68	564	0.00
100-1,000	227	24.36	194,100	0.46
1,001-10,000	479	51.39	2,393,500	5.68
10,001-100,000	168	18.03	5,014,100	11.89
100,001-2,108,944	31	3.33	15,880,736	37.67
2,108,945 and above	2	0.21	18,680,000	44.30
Total	**932**	**100.00**	**42,163,000**	**100.00**

Total No of Shareholders/ Depositors	:	932
Total Shareholdings/ Securities	:	42,163,000
Total Percentage (%)	:	100.0000

* *Excludes 2,637,000 Ordinary Shares bought back by the Company and held as treasury shares as at 1 June 2020.*

SHAREHOLDINGS STATISTICS

As at 1 June 2020

CONT'D

THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 1 JUNE 2020

	Name of Shareholders/Depositors	No. of Shares	Holding Percentage % *
1	MIYES HOLDINGS SDN. BHD.	15,680,000	37.19
2	KENANGA NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)*	3,000,000	7.12
3	LIM PEI TIAM @ LIAM AHAT KIAT	1,712,100	4.06
4	NG WAI KEE	1,490,900	3.54
5	CHOW KUAN FONG	1,483,195	3.52
6	CHAM WEI WEI	1,450,000	3.44
7	CHEN, MENG-HSIN	1,368,941	3.25
8	YAP SIEW FOONG	1,263,730	3.00
9	HLIB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR MOHD RIANI BIN OSMAN*	994,038	2.36
10	HLB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN*	957,800	2.27
11	RHB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR DATO' TAN EE SENG*	440,000	1.04
12	YEOH PHEK LENG	430,000	1.02
13	ENG KIM LIAN	380,964	0.90
14	CHAM BEE SENG @ CHIAM BEE SENG	349,989	0.83
15	CHONG TECK HOO @ CHAM TECK HOO	332,089	0.79
16	CHAN THYE THIAN	311,600	0.74
17	TAN JIN TUAN	289,000	0.69
18	GOH YOKE CHOO	254,500	0.60
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR SAK KAM WAH (8082357)*	247,000	0.59
20	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON (E-BMM)*	216,700	0.51
21	LEE HA SING	186,500	0.44
22	JIS SYSTEM (M) SDN. BHD.	185,000	0.44
23	PUBLIC INVEST NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KOAY YAN WAH (M)*	180,000	0.43
24	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LIM CHAI GUAN (474333)*	170,000	0.40
25	CHAN SENG CHEONG	157,500	0.37
26	LIM YOK MOI	150,000	0.36
27	CHAM BEE SIM	149,572	0.35
28	NG KWEE ENG	142,018	0.33
29	CHEAK YEW KUN	136,100	0.32
30	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN (E-KLC)*	123,800	0.29
	TOTAL	**34,233,036**	**81.19**

* *Excludes 2,637,000 Ordinary Shares bought back by the Company and held as treasury shares as at 1 June 2020*

SHAREHOLDINGS STATISTICS
As at 1 June 2020
CONT'D

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 1 JUNE 2020

	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	37.19	-	-
Umberston Holdings Sdn. Bhd. ("Umberston")	-	-	15,680,000 (1)	37.19
San Yes Automotive Technology Co., Ltd	-	-	15,680,000 (1)	37.19
Yap Siew Foong	1,263,730	3.00	15,680,000 (2)	37.19

* *Excludes 2,637,000 Ordinary Shares bought back by the Company and held as treasury shares as at 1 June 2020*

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

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 1 JUNE 2020

	Direct Interest		Indirect Interest	
Name of Director	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
Yap Siew Foong	1,263,730	3.00	15,680,000 (1)	37.19
Ng Wai Kee	1,550,900	3.68	-	-
Wern Li Morsingh	-	-	-	-
Oei Kok Eong	-	-	-	-
Tan Hock Soon *(Appointed on 3 June 2019)*	-	-	-	-

* *Excludes 2,637,000 Ordinary Shares of bought back by the Company and held as treasury shares as at 1 June 2020.*

(1) *deemed interested through Umberston and MIYES*

LIST OF PROPERTIES

Registered Beneficial Owner	Location	Date of Valuation / Acquisition	Description and Existing Use	Tenure and Year of Expiry	Approximate Age of Property (Year)	Built Up area (Sq.m)	Net book Value as at 31 December 2019 (RM)
Machinery & Industrial Supplies Sdn. Bhd.	No 19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur.	June 14, 2012	Industrial land erected with double storey detached warehouse and a 3 storey frontal office. Office and warehouse.	Leasehold of 66 years, expiring on January 30, 2046	23	3,867	1,970,800
Grand Carpet Industries Sdn. Bhd.	Lot 3, Jalan Sultan Hishamuddin 2, Kawasan Perusahaan Selat Kelang Utara, 42000 Port Klang, Selangor.	February 20, 2012	Industrial land erected with single storey detached factory and a double storey frontal office. Office and factory.	Leasehold of 99 years, expiring on June 9, 2086	28	10,310	4,725,734
Sanyco Grand Industries Sdn. Bhd.	No 3, Jalan U1/15, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor.	January 24, 2017	Industrial land erected with a single storey detached factory with a mezzanine floor office annexed. Office and factory.	Freehold	21	2,140	3,048,176
Machinery & Industrial Supplies Sdn. Bhd.	No 21 & 23 (Developer's Plot No.118 & 119), 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 shop house. The three storey end lot is rented out whilst the three storey intermediate unit is vacant.	Freehold	19	429	856,898
PT Zusma Plastics	Suryacipta City of Industry, Jl. Surya Madya IV Kav 1-28 J, Kutanegara Village, Ciampel, Karawang, West Java 41361, Indonesia	August 23, 2011	Industrial Land. The land is vacant.	Leasehold of 30 years, expiring June 16, 2028	9	7,012	1,298,320
Sugihara Grand Industries Sdn. Bhd.	PT 12673, Kawasan Perindustrian Sendayan Tech Valley, Bandar Sri Sendayan, 71950 Seremban, Negeri Sembilan Darul Khusus	August 6, 2015	Industrial land erected with a single storey detached factory with office annexed. Office and factory.	Freehold	4	3,681	7,021,977
PT Grand Ventures Hartamas	Kawasan Industri Terpadu Indonesia China Lot 70, which is located in Kawasan Industri Terpadu Indonesia China, Kota Deltamas, Cikarang Pusat, Bekasi 17530, West Java, Indonesia	April 28, 2017	Industrial Land. The land is vacant.	Leasehold of 30 years, expiring January 8, 2029	3	16,186	11,221,056
PT Grand Ventures Hartamas	Le Freya and Cosmo Estate, Lippo Cikarang, Bekasi, Jawa Barat, Indonesia	September 29, 2017	3 units of double storey residential house. 1 unit is rented out whilst the remaining 2 units are vacant.	Freehold	3	215	269,343

No.19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur, Malaysia.
T| 03 9221 9898 (10 lines) **F|** 03 9221 7878