



SMIS CORPORATION BERHAD
[Registration No. 199901016957 (491857-V)]

ANNUAL REPORT

2022



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GROUP STRUCTURE

As at 31 March 2023



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)

AUDIT AND RISK COMMITTEE

Tan Hock Soon
(Chairman)
Wern Li Morsingh
Oei Kok Eong

NOMINATION COMMITTEE

Tan Hock Soon
(Chairman)
Wern Li Morsingh
Oei Kok Eong

REMUNERATION COMMITTEE

Wern Li Morsingh
(Chairperson)
Oei Kok Eong
Tan Hock Soon

BUSINESS ADDRESS

Lot 3, Jalan Pemaju U1/15,
Seksyen U1, Hicom Glenmarie Industrial Park,
40150 Shah Alam,
Selangor Darul Ehsan,
Malaysia.
Tel: 03-5569 1218 Fax: 03-5569 1150

WEBSITE

<http://www.smis.com.my>

COMPANY SECRETARIES

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

Tan Ai Ning
(MAICSA 7015852)
(SSM PC No. 202008000067)

REGISTERED OFFICE

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

AUDITORS

Baker Tilly Monteiro Heng PLT
Registration No. 2019060006000
(LLP0019411-LCA) (AF 0117)
Baker Tilly Tower,
Level 10, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur,
Wilayah Persekutuan,
Malaysia.
Tel: 03-2297 1000 Fax: 03-2282 9980

PRINCIPAL BANKERS

United Overseas Bank Malaysia Berhad
[Registration No. 199301017069 (271809-K)]
Level 7, Menara UOB, Jalan Raja Laut,
50050 Kuala Lumpur,
Wilayah Persekutuan,
Malaysia.

SHARE REGISTRARS

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)
Stock Name: SMISCOR
Stock Code: 7132

FIVE-YEAR FINANCIAL HIGHLIGHTS

As at 31 December

In thousands of RM	2018	2019	2020	2021	2022
Revenue	127,928	125,738	101,340	113,176	154,399
(Loss)/Profit before tax	(2,656)	1,280	(4,577)	(2,284)	22,272
from continuing operations	(2,271)	1,280	(4,577)	(2,284)	22,272
from discontinued operation	(385)	-	-	-	-
(Loss)/Profit for the year	(3,969)	975	(4,829)	(2,467)	19,648
from continuing operations	(3,584)	975	(4,829)	(2,467)	19,648
from discontinued operation	(385)	-	-	-	-
(Loss)/Profit attributable to owners	(5,026)	821	(4,398)	(2,345)	18,453
from continuing operations	(4,654)	821	(4,398)	(2,345)	18,453
from discontinued operation	(372)	-	-	-	-
Total equity attributable to owners	60,379	61,354	56,696	54,639	72,673
Total assets	119,835	112,617	114,442	112,111	119,970
Total liabilities	(44,785)	(36,970)	(43,885)	(43,696)	(32,328)
Total borrowings	(21,008)	(14,421)	(13,455)	(13,024)	(3,674)
Growth rate over previous years					
Revenue	2.4%	(1.7%)	(19.4%)	11.7%	36.4%
(Loss)/Profit before tax	46.5%	148.2%	(457.6%)	49.9%	1075.1%
(Loss)/Profit for the year	24.2%	124.6%	(595.3%)	48.9%	896.4%
(Loss)/Profit attributable to owners	(7.9%)	1.6%	(7.6%)	(3.6%)	33.0%
Total assets	(5.4%)	(6.0%)	1.6%	(2.0%)	7.0%
Total liabilities	(10.3%)	(17.5%)	18.7%	(0.4%)	(26.0%)
Total borrowings	(21.1%)	(31.4%)	(6.7%)	(3.2%)	(71.8%)
Share information					
Basic (loss)/earnings per share (sen)	(11.92)	1.95	(10.43)	(5.56)	43.77
from continuing operations	(11.04)	1.95	(10.43)	(5.56)	43.77
from discontinued operation	(0.88)	-	-	-	-
Net assets per share (RM)	1.35	1.37	1.57	1.53	1.96
Financial ratio					
Return on equity attributable to owners	(6.6%)	1.6%	(8.5%)	(4.5%)	27.0%
Return on total assets	(3.3%)	0.9%	(4.2%)	(2.2%)	16.4%
Debt equity ratio	0.35	0.24	0.24	0.24	0.05



PROFILE OF DIRECTORS

PROFILE OF DIRECTORS

NG WAI KEE

Chairman, Executive Director

Ng Wai Kee, aged 52, 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 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 (MACPMA) and Chairman of the Toyota Suppliers Association, Malaysia. 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 pages 138 to 139 of the Annual Report, he does not have any other conflict of interest with the Company.

He has attended all the five (5) board meetings held in the financial year ended 31 December 2022 (“FY2022”).

YAP SIEW FOONG

Executive Director

Yap Siew Foong, aged 79, 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 pages 138 to 139 of the Annual Report, she does not have any other conflict of interest with the Company.

She has attended four (4) of five (5) board meetings held in the FY2022.

PROFILE OF DIRECTORS

cont'd

OEI KOK EONG*Independent Non-Executive Director*

Oei Kok Eong, aged 69, male, was appointed to the Board of Directors of SMIS on 21 November 2014 as an Independent Non-Executive Director. He is also serves as a member of Audit and Risk Committee, 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 then Hirotako Berhad – in manufacturing seat belts, steering wheels and airbags systems.

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

Over the years, Mr Oei had served 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.

Up till recently, he was a CEO coach mentoring a group of business owners/CEOs in association with Vistage Malaysia Sdn. Bhd. He also serves as an Independent Non-Executive Director of HPMT Holdings Berhad and New Hoong Fatt Holdings Berhad, both companies listed on the Main Market of Bursa Malaysia Securities 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.

He has attended all five (5) board meetings held in the FY2022. He does not hold any shares in the Company.

PROFILE OF DIRECTORS

cont'd

TAN HOCK SOON

Independent Non-Executive Director

Tan Hock Soon, aged 51, 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 Audit and Risk Committee and Nomination Committee and is a member of Remuneration Committee. He is a Fellow Member of the Malaysian 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 2001 to 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 2003 to 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 2004, he obtained his Investment Representative license, co-founded 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 and a Senior Independent Non-Executive Director of Econframe Berhad, both companies listed on the ACE Market of Bursa Malaysia Securities 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.

He has attended all five (5) board meetings held in the FY2022. He does not hold any shares in the Company.

WERN LI MORSINGH

Independent Non-Executive Director

Wern Li Morsingh, aged 50, 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 Remuneration Committee and a member of 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 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. She is a member of the Disciplinary Committee Panel of the Advocates & Solicitors Disciplinary Board since 2018.

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.

She attended all the five (5) board meetings held in the FY2022. She does not hold any shares in the Company.

Notes to Directors' Profile:

1. All of the Directors of SMIS are Malaysians.
2. Other than traffic offences, none of the Directors 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.



PROFILE OF KEY SENIOR MANAGEMENT

PROFILE OF KEY SENIOR MANAGEMENT

ROBERT KOONG YIN LEONG

Group Financial Controller

Robert Koong Yin Leong, aged 55, male, joined SMIS Group in 2006 as Group Financial Controller. He is a Member of the Malaysian Institute of Accountants and 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 serve as an Independent Non-Executive Chairman of Systech Bhd and EconFrame 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. He does not hold any shares in the Company.

SOO HAK MIN

Director, Manufacturing (Automotive Division)

Soo Hak Min, aged 58, 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 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 does not hold any shares in the Company.

Notes to Key Senior Managements' Profile:

1. All of the Key Senior Managements of SMIS are Malaysians.
2. Other than traffic offences, none of the Key Senior Managements 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 FY2022. This MD&A has been prepared as of 27 April 2023.

Calculations of Earnings Before Interests, Taxes, Depreciation and Amortization ("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 expressed 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 the 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.

2022 saw the removal of almost all Covid-19 restrictions and back to business as usual for the Group. The automotive segment saw significant increase in volume as a result from the Sales Taxes exemption for passenger vehicles which ended on 31 December 2022.

New passenger car registration for 2022 was 641,773 as compared to 452,486 in 2021, an increase of 41.8% (source: Malaysian Automotive Association).

RESULTS FOR FY2022

Turnover from operations was RM 154.4m vs RM 113.2m in 2021. Profit before taxation ("PBT") was RM 22.3m (gains from disposal of land & building was RM 17.6m) vs a loss before taxation ("LBT") of RM 2.3m in the previous year. Increase in the minimum wage had a significant cost impact and a major factor in the Group not achieving better margins.

Table A

Years ended 31 December	2022 RM'000	Change	2021 RM'000
Sales			
Automotive	148,360	38.4%	107,208
Machinery	6,039	1.2%	5,968
Profit/(Loss) for the financial year	19,648	N/M	(2,467)
Profit/(Loss) for the financial year attributable to the owners of the Company	18,453	N/M	(2,345)
Earning/(Loss) per share	43.77	N/M	(5.56)
EBITDA	30,141	355.5%	6,617
Cash Balance	25,028	79.2%	13,967

Note: N/M = not meaningful

Table A summarises financial results for the Group in FY2022.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

AUTOMOTIVE SEGMENT

Revenue derived from the Automotive segment (Automotive carpets and Braking components) was higher by RM 41.1m (38%) as compared to previous year. As a result of the improved revenue, the Automotive segment returned a PBT of RM 5.7m for the year against a LBT of RM 0.8m in 2021.

Results of the carpet segment improved by RM 6.0m recording a PBT of RM 4.5m against a LBT of RM 1.5m in 2021.

Revenue from the local carpet segment increased by RM 21.7m to RM 78.2m in 2022 with a PBT of RM 4.3m (2021 PBT was RM 0.2m).

Our Indonesian operations recorded a turnover for the year of RM 15.9m against RM 7.5m in 2021 with a PBT of RM 0.2m against a LBT of RM 1.7m in 2021.

Revenue from braking components segment increase by RM 11.0m to RM 54.2m in 2022 with a PBT of RM 1.2m (2021 PBT was RM 0.8m).

INDUSTRIAL SPARES SEGMENT

Revenue from Industrial spares segment increased marginally by RM 0.08m in 2022 (2021: RM 6.0m). The operational results for 2022 was a PBT of RM 0.3m against a LBT of RM 0.5m 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 part of its strategy to diversify its country dependent risk. The long-term prospects for Indonesia remains strong as major automotive manufacturers are investing in building further capacity.

In the mid-term, the Group is focused on cost control to remain competitive and yet technologically relevant. These initiatives are necessary as materials, wages, transportation and other costs suffer from inflationary pressure. Continuous process improvements remain crucial in our operations and is critical in providing efficiencies, cost advantage and capacity improvements.

Challenges

The primary challenges include competition from well-established players, low industry volumes, weak economic sentiment, rising cost of raw materials, disruptions in the supply chain, attracting and retaining skilled workforce and higher labour cost as a result of the implementation of the minimum wage.

Braking Components

Strategy

Establish a long term tie up with global braking system providers and strengthening our position as a tier 2 manufacturer remain as our key strategy. In the mid-term, the segment intends to venture into the replacement market within the region for braking components and diversifying into non-automotive products.

Challenges

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

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Industrial Spares

Strategy

Build strategic alliances to generate more value adding propositions 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 service offerings for various 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 expect revenue and earnings to be challenging in 2023. The Malaysian Automotive Association forecast Total Industry Volume (Passenger Vehicles) for 2023 to be 585,000 units vs 641,773 units in 2022. However, we are expecting volumes from Indonesia to compensate for part of the reduction in revenue in the local market.

Industrial spares

The Industrial spares segment is working with various local and overseas suppliers in order to offer our customers a wider range of products. This will also allow the company to venture into new sectors.



SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

The Board of SMIS presents this Sustainability Statement ("this Statement") which highlight the strategies, priorities, targets, and performance of the management of sustainability matters, including the Economic, Environmental, Social ("EES") risks and opportunities, and governance aspects, of SMIS Group for the FY2022.

Operations covered in this Statement includes SMIS Group which operates through five (5) subsidiaries - Machinery & Industrial Supplies Sdn. Bhd., Sanyco Grand Industries Sdn. Bhd. ("Sanyco"), Grand Carpet Industries Sdn. Bhd., Sugihara Grand Industries Sdn. Bhd. ("Sugihara") and PT Grand Surya Techno ("PT GST").

This Statement is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia Listing Requirements") and has also included considerations of relevant practices discussed in the Sustainability Reporting Guide – 3rd Edition and the accompanying Toolkits as published by Bursa Malaysia Securities Berhad ("Bursa Malaysia" or "Bursa").

GOVERNANCE STRUCTURE

The Board of SMIS Group acknowledges its duties and responsibilities in ensuring the Company's strategy includes sustainability considerations, including in the areas of EES and Environment, Social and Governance ("ESG"), in support of the achievement of long-term value creation. At SMIS Group, the Board, on an ongoing basis, assesses and reviews the sustainability of the Group's business and the sustainability alignment of the Company's Vision and opportunity to adopt a form of growth that:

- treats growth, sustainability, and inclusion as mutually reinforcing
- is more sustainable, driving innovation while reducing environmental impact
- is more inclusive, creating access to opportunities for more people worldwide

The Board is responsible for ensuring there is an effective governance structure in place to facilitate the integration and management of sustainability matters in the Group's operations. The Group's sustainability efforts are entrusted to the Executive Chairman of the Company. The Executive Chairman oversees the planning and execution of sustainability strategies to ensure that the sustainability matters are implemented throughout our business operations.

The management and business unit heads are responsible for driving the strategies and action plans to address the Group's sustainability-related risks. They oversee the day-to-day business operation and are responsible to ensure internal controls are put in place to mitigate the risks identified.

The Board also strives to communicate openly and transparently with the Group's stakeholders. Various engagement channels are established and maintained to facilitate the engagement with stakeholders, each with specific focus areas to address the needs and concerns of the respective stakeholder groups, including communication of relevant sustainability strategies, priorities, targets, and performance.

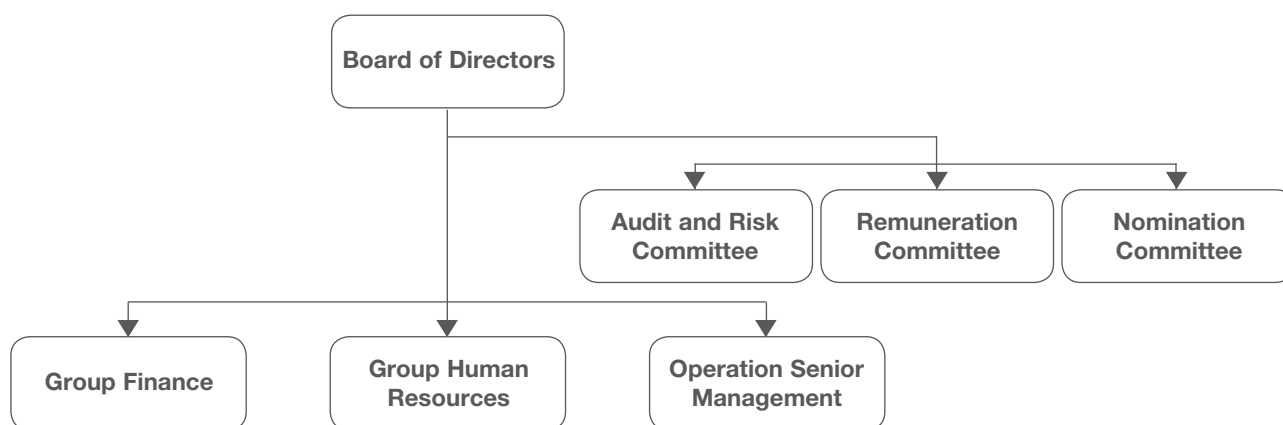


Fig. SMIS Top Management Structure

SUSTAINABILITY STATEMENT

cont'd

STAKEHOLDER ENGAGEMENT

SMIS Group recognises that its corporate value lies in the ability to create sustainable, long-term stakeholder value creation. In the pursuit of this objective, the Company acknowledges stakeholder across multiple industries, geographies, and communities, define our identity and help shape our journey forward. Their key insights help us navigate challenges, seek opportunities, find purpose in what we do and lay the foundation for a more inclusive and sustainable future. In this regard, SMIS Group endeavours to strike a balance in its value creation strategies, between the Company's obligations to deliver value to stakeholders and corporate responsibilities, also considering stakeholder value in the short, medium, and long term.

The Group's stakeholders include, but are not limited to, the shareholders and investors, customers, suppliers and service providers in the supply chain, regulators and authorities, financiers, banks, local community, and the media. All stakeholders may have varying influences on the business or interest or dependence on the business, and this is also taken into account in the Group's engagement strategies.

We have various established engagement channels to communicate and interact with the various types of stakeholder groups we have across the Group. These engagement channels are customised to suit to the different engagement needs of our stakeholders, considering communication effectiveness, cost-efficiency, as well as other management factors.

Generally, the Group's stakeholder engagement strategies are developed to ensure stakeholders obtain sufficient information to facilitate informed decision-making, especially pertaining to matters involving their interests where the Company has responsibility or obligation towards. Following are the key principles for stakeholder interaction:

- We want to share our knowledge and expertise with our stakeholders
- We act and operate with transparency and integrity
- We want to create value for all our stakeholders and foster long-term partnerships of mutual value
- We are always available for dialogue and respond to input and feedback in a timely and agile manner
- We believe in collaboration and base our engagement on genuine dialogue – we engage, listen and act

Since the COVID-19 pandemic in 2020, the way we engage with stakeholders has also evolved to incorporate technology and internet-based communications, enabling us to have a wider variety of tools to engage with stakeholders.

The following table summarises SMIS Group's key stakeholder groups, the key engagement methods, importance, and expectation which are commonly discussed or addressed in our engagement with them.

Why they are important	Key Expectation	Type of Engagement
Local Community		
Our partners in progress, a harmonious relationship with the communities where we operate is key to our social licence to operate	<ul style="list-style-type: none"> • Increasing community outreach through our programmes • Improving grievance mechanism for community • Developing and undertaking need-based community projects 	<ul style="list-style-type: none"> • Internship program • Grievance mechanisms • Engaging with communities via various community initiatives
Employees		
Our employees are at the centre of all our operations; their collaborative skill and expertise are essential for our growth	<ul style="list-style-type: none"> • Improving training on Health, Safety and Environment ("HSE") and other pertinent material issues • Providing increased opportunities for career growth through internal talent recognition • Increasing gender diversity 	<ul style="list-style-type: none"> • Feedback sessions • Performance management systems • Various plant-level meetings • Event Management Committee and Welfare Committee

SUSTAINABILITY STATEMENT

cont'd

Why they are important	Key Expectation	Type of Engagement
Shareholders, investors and lenders		
As providers of capital, they are key to our growth and expansion plans	<ul style="list-style-type: none"> Consistent disclosure on EES performance as per Bursa Malaysia 	<ul style="list-style-type: none"> Regular updates through Bursa's announcements and corporate website Annual General Meeting Announcements on Quarterly results
Civil Societies		
Collaboration is essential to advocate for and promote sustainable practices	<ul style="list-style-type: none"> Expectation of being aligned with the global sustainability agenda Commitment to ensuring human rights for all 	<ul style="list-style-type: none"> Partnerships with, and membership of international organisations Working relationships with organisations on specific projects Engagement with international, national, and local Non-Governmental Organisations ("NGOs")
Industry (suppliers, customers, peers, media)		
A positive relationship enables us to raise growth capital in a timely and cost-effective manner	<ul style="list-style-type: none"> Consistent implementation of the Code of Business Conduct and Ethics Compliance with environmental and social laws 	<ul style="list-style-type: none"> Customer satisfaction surveys on development and performance Vendor scorecards In-person visits for customers, suppliers' and vendors' meetings
Government		
Key for ensuring compliance, interpretation of regulations and uninterrupted operations	<ul style="list-style-type: none"> Compliance with laws Contributing towards the economic development of the nation 	<ul style="list-style-type: none"> Participation in government consultation programmes Engagement with national, state, and regional government bodies at business and operational level

MATERIALITY ASSESSMENT

During FY2022, SMIS Group initiated to conduct a comprehensive assessment to refine our understanding of internal and external stakeholder expectations of us as a firm and to drive meaningful progress on our ESG matters which:

- reflect the Group's significant sustainability impacts; or
- substantively influence stakeholders' assessment or decisions.

The process was facilitated with the Group's Key Management personnel and sustainability matters relevant to the Group's businesses were identified and categorised. The sustainability matters were subsequently assessed by Management via a survey approach, where the Key Management personnel were required to assess the materiality of these sustainability matters by rating each matter, considering how they reflect the Group's significant sustainability impacts or if they substantively influence stakeholders' assessment or decisions.

In carrying out the materiality assessment, we have also considered the latest amendments to the Bursa Malaysia Listing Requirements which have not come into effect, yet, as of the date of this Statement.

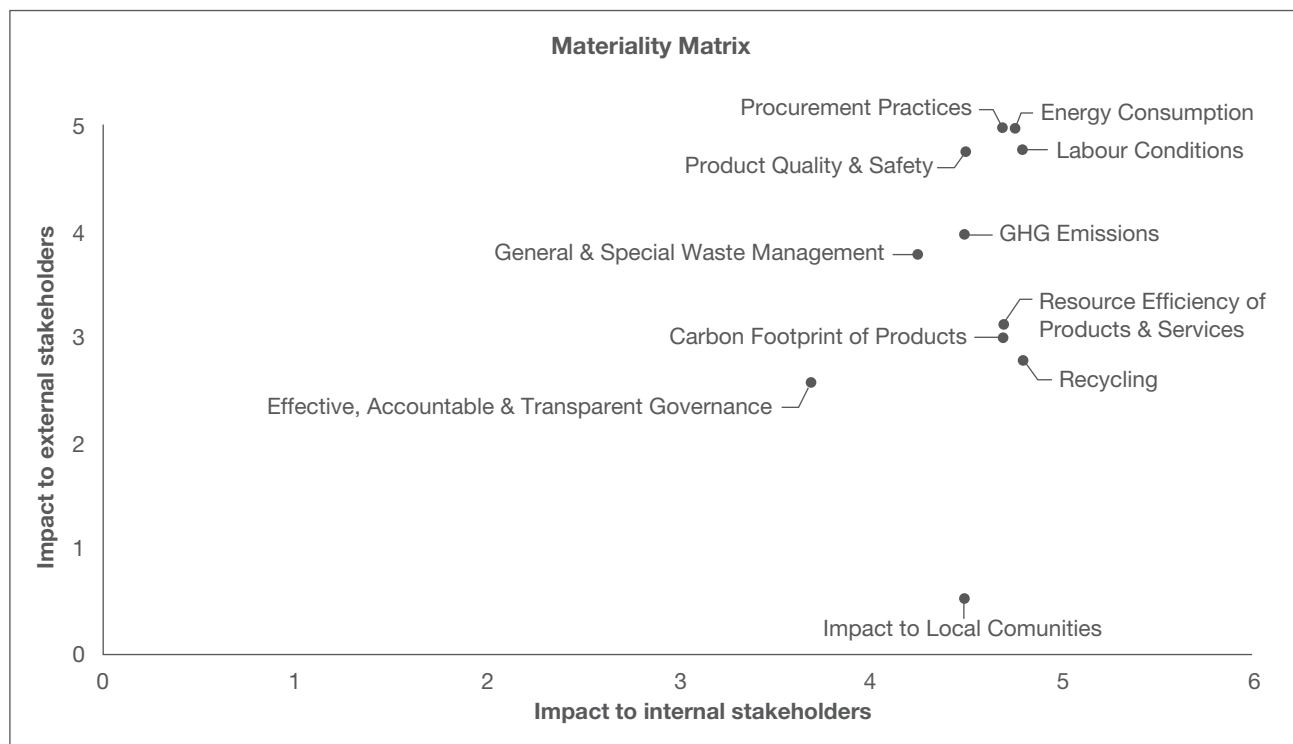
SUSTAINABILITY STATEMENT

cont'd

Upon the conclusion of the materiality assessment process, we identified the following material sustainability matters for the SMIS Group (in no specific order):

- Energy Consumption
- Procurement Practices
- Labour Conditions
- Greenhouse gas ("GHG") Emissions
- Product Quality & Safety
- General and Special Waste Management
- Carbon Footprint of Products
- Recycling
- Resource Efficiency of Products & Services
- Effective, Accountable & Transparent
- Impact on Local Communities

The Group's material sustainability matters are illustrated in the following materiality matrix.



SUSTAINABILITY STATEMENT

cont'd

ETHICAL BUSINESS PRACTICES

Code of Conduct

At SMIS Group, we are committed to upholding high standards of business ethics in our businesses and operations. Our Code of Conduct serves as a guiding tool to align organisational culture with individual conduct and integrates our values into the day-to-day business conduct. The Code of Conduct contains general guidelines for conducting the business of the Company, consistent with the highest standards of business ethics. The Code of Conduct stipulates the Company's expectations with regard to, amongst others:

- compliance with laws, rules, and regulations;
- conflict of interest – including examples of various types of conflict-of-interest situations and procedures to notify the Company's Management on conflict-of-interest matters;
- competition and fair dealing;
- anti-corruption – including the prohibition of the use of bribes, payments to government officials, and guidance of the gift and entertainment practices;
- anti-discrimination and anti-harassment;
- health, security, safety, and environment;
- information confidentiality and protection of assets; and
- fair, accurate, and timely corporate disclosures.

SMIS Group is committed to enforcing the Code of Conduct, which specifies channels through which a person can report violations of the code. Serious violations can also be reported to SMIS Group via the whistleblowing channel established via its Whistle Blower Policy.

Code of Ethics

Ethical business conduct is ingrained in our value system. It strengthens our brand equity, serves as a market differentiator, and helps us grow responsibly while safeguarding the interests of our stakeholders and the business. Ethical conduct of business, prevention of corruption and unlawful disclosure or use of inside information, and observance of human rights are essential principles of operation and make up part of our risk management process. In the year under review, no corruption or bribery cases were reported to the Board Committee. We strive to foster a healthy culture of feedback in which employees can feel free to voice any concerns they may have. Should employees become aware of irregularities or wrongdoings, they can report their concerns anonymously through our Whistle-blower mechanism.

Breach of Code of Conduct

To complement SMIS Group's enforcement and monitoring efforts to promote ethical and responsible business practices, it has established the necessary grievance or internal reporting channels through which stakeholders, such as employees or subcontractors, can report concerns regarding how business is conducted at SMIS Group.

Various set of actions will be taken across all our business units if any cases were reported. These mitigation actions involved taking stringent steps towards errant vendors, vendor personnel and employees. Corrective actions range from judicial interrogations, fines, rotation, warnings, and separation from the company.

	For FY2022
Number of cases for breaching code of conduct	0

Ethical business practices along the supply chain

As a responsible business, our commitment to ethical business practice, including pertaining to ESG matters, is not limited to our own employees and operations. We also require those who carry out works and services on behalf of SMIS Group, such as representatives and contractors, to apply similar standards.

In addition, contractors, who are considered significant associates of SMIS Group's operations are required to comply with certain business ethics, standards and laws, including in the areas of anti-corruption, environmental protection, safeguarding of work safety and health, as well as labour practices, through our service contracts.

SUSTAINABILITY STATEMENT

cont'd

PRODUCT QUALITY & SAFETY

To live up to its “quality first” and “customer first” commitments, the company ensures and improves the quality of its products and processes with a variety of tools: SMIS Group production sites have certified management systems in accordance with globally recognised quality standards and regulations. The company has successfully implemented the requirements of the following certification-relevant standards in all SMIS plants:

- IATF 16949:2016 quality management system, automotive industry standard
- ISO 14001:2015: Environment
- Aerospace Product: AS9100
- ISO 9001:2015 quality management system, industry standard

The conformity of the products, systems, and processes is periodically checked and confirmed at the affected locations by way of internal and external audits.

Quality Program: Sharpen. Accelerate. Perform

The objective of the quality program is to continue fulfilling the SMIS Group’s high-quality standards, in line with our sustainability development and improvement agenda. This commitment to quality excellence extends to our customers, as the Group continues its efforts to discover the best approaches to increase the customer satisfaction, by following means:

- Technical expertise and reputation
- Agile processes and methods
- Quality principles and mind-set
- Sustainable quality and performance

High Standard Product Safety

Product safety and conformity are key quality characteristics for industrial plants and transport systems. We give top priority to the product quality offered to our customers as well as to safety and to the environment in our corporate activities. Following are the key steps by the SIMS Group for the stance of “Customer First”:

- We make our best efforts to meet our customers’ expectations with products and services of high satisfaction.
- We commit ourselves to abide by the “Quality First” principle, and to improve the quality and reliability of our products, in all our divisions, including sales, manufacturing and research and development.
- We meet quality requirements at the stage of design and development, and ensure and enhance these in the manufacturing process.
- We continuously strive to organize, maintain and improve our quality management system.

RESPONSIBLE SOURCING

Responsible sourcing’ refers to companies’ commitment to promote ethical standards and social responsibility when dealing with suppliers. SMIS partners multiple vendors who supply raw material, logistics, goods and services to keep our operation running. To work with us suppliers must meet the standards set out in our supply chain management code of conduct and accompanying technical standards and commit to extending these requirements to their own suppliers.

The wide-ranging standards cover business ethics, labor and human rights, quality, health and safety, and environmental sustainability. Additional commitments for key suppliers to cut their environmental footprint also support wider progress across our ESG programme in areas such as reducing Carbon Footprint.

SUSTAINABILITY STATEMENT

cont'd

PROMOTING OCCUPATIONAL HEALTH AND SAFETY

Our approach to occupational health and safety (“OHS”) centres on proactive strategies that back our vision of creating a Zero Harm work environment. Through constant monitoring, training, felt leadership and worker engagement, we promote a safety culture where everyone feels responsible for workplace safety. We have empowered our workers, whereby they can decline to perform any work they feel undermines their own safety and that of others.

Safety Policy and Framework

A robust health and safety framework guides our safety culture that encompasses all our operations. We have a definitive structure for implementation of this framework, and we constantly seek feedback to better our safety performance. Our commitment to ensuring a reliable and safe workplace along with our robust framework has made it possible for us to deal with setbacks and move ahead with confidence.

SMIS Group’s OHS measures and the HSE Management are guided by the Group’s internal HSE Rules and Regulation. Key HSE Rules commitments included are:

- Complying with all applicable law and regulations related to HSE.
- Managing HSE risks and allocating reasonable resources to preventing HSE-related incidents and accidents.
- Provide HSE training and knowledge to employees.
- Investigating and reporting any accident illness or other dangerous occurrences and ensure they do not reoccur.
- Ensure that employees, customers, contractors, business partners and third parties such as suppliers of goods and services comply with all applicable laws and regulations related to HSE in dealing with the SMIS Group.

OHS Risk Assessment

When it comes to OHS risk assessments, the Management has thoroughly assessed any work environments deemed high-risk and these particular environments are monitored more closely by the Group.

SMIS Group does not have employees involved with work that have high incidences or high risks of any specific diseases. Some of the initiatives that SMIS Group has directly taken to minimise the health and safety risks and hazards include the following:

Providing personal protective equipment to employees

Maintaining tight supervision from our line leaders and supervisors

Ensuring competent personnel are handling key machinery and equipment

Going forward, SMIS Group aims to implement suitable OHS targets to further bolster the performance and integrity health and safety excellence at the Group.

OHS Training

Safety is something that is not inculcated overnight - training and awareness building are the first steps in helping establish safety as a mind-set among employees. Through regular trainings we are able to ensure employees follow the statutory safety requirements and stay on top of the safety practices. Our external and internal training includes:

Fire Safety

Electrical Safety

Slip

Trip and fall

Road Safety

Machine Guarding

Hazard Identification & Risk Assessment

SUSTAINABILITY STATEMENT

cont'd

Here are the internal safety and health trainings SMIS Group conducted for its employees in 2022:

	FY2022
Number of employees trained on health and safety standards	386

OHS Performance

SMIS Group consistently monitors, records and evaluates key OHS performance indicators in its work environments. While the Group has yet to establish more OHS targets to benchmark its OHS performances against previous performances, SMIS Group is aiming to rectify this in the future. The Group's OHS performance details are shown here:

	FY2020	FY2021	FY2022
SMIS Group (employees only)			
Number of major injuries/industrial accidents	1	0	0
Number of minor injuries/workplace accidents	3	2	2

For all incidents and accidents recorded, SMIS Group investigates its root causes and subsequently implements corrective, as well as preventive, action plans to prevent the reoccurrence of accidents / incidents in the future.

HUMAN RESOURCES

Basic Approach

SMIS Group believes that human beings are born as free and unique individuals with the capacity to think, reason and create and the ability to dream. The Company's wish is to nurture and promote these characteristics within the Group by respecting individual differences, trusting each other as equal partners, exercising abilities to the fullest and sharing joy.

From this standpoint, SMIS Group believes this spirit should permeate all its relationships, not only with those in the SMIS Group but with everyone in all companies with which SMIS Group does business. SMIS Group seeks to create an environment in which each associate's ambitions and abilities can be developed, as well as a workplace where an individual's potential can be actively exercised. Our basic approach of personal management lies on following principle:

- **Respecting individual human rights:**
 - We accept the individual characteristics and differences of our associates and respect their willingness and initiative.
 - We will always respect each individual's basic human rights and will not allow forced labour or child labour.
- **No discrimination:**
 - Based on the principle that all human beings should have equal employment opportunities, we will strive to create opportunities for free and fair competition.
 - We will not tolerate discrimination or harassment of any form in the workplace on the basis of an Individual's race, ethnicity, national origin, religion, gender or age, among other characteristics.
- **Complying with laws and ordinances:**
 - We will respect the social norms, customs and culture of each country.
 - We will comply with the laws, regulations and ordinances enacted in each country and region.
- **Creating an environment of free, open-minded dialogue:**
 - The associates and the Company will respect each other's views and endeavour to promote mutual understanding. Maintaining a relationship of mutual trust, the associates and the Company will make every effort to engage in sincere discussions about any issues that might arise or exist.
 - Respecting freedom of association, or not to associate, and collective bargaining, the Company will attempt to resolve any and all issues in line with the laws, conventions and usages of each respective country and region.
 - Maintaining a working environment where each associate can work with a sense of security.
 - The Company will provide a safe and healthy workplace where all associates can concentrate on work with a sense of security.

SUSTAINABILITY STATEMENT

cont'd

Caring for our colleagues

When employees feel supported, they thrive, both personally and professionally. We are committed to promoting a culture that protects and nurtures every facet of employee health and well-being, creating an environment where our people can reach their full potential. We approach health and well-being holistically—with benefits and programs that support the mind, body, and purpose.

One of our core values is to “sustain a caring meritocracy.” Our programs and initiatives include employee benefits and perks, mental health programming and support, learning programs, and office-based initiatives.

Well-being initiatives and habits

We equip colleagues with skills, mindsets, and behaviours to build resilience through balanced well-being and personal health. Our global well-being initiative was put in place to help individuals manage their well-being through a focus on mind, body, and purpose. These concepts have now been formally integrated into our learning programs and embedded in our day-to-day activities. Our well-being programs span a range of topics, including well-being basics like nutrition, physical fitness, meaning, and connection; personal operating models and norms; stress and burnout; mental resilience; empathy; and more. Some habits and rituals promoted in well-being include:

- setting a high aspiration for holistic impact with an inspiring experience: connecting our work to a broader vision of our impact and defining what will make our work rewarding
- operating as one inclusive team: focusing on how we harness individuals' talents, expertise, and perspective in our work together
- building alignment and improving together: excelling at rituals such as regular feedback sessions and one-on-ones designed to surface and resolve issues
- showing care and appreciation: understanding each other's aspirations for and beyond client engagement and finding ways to support them, so that people feel valued
- managing our well-being: setting work norms to help each other take care of ourselves physically, mentally, and emotionally
- helping each other grow: being systematic about making development-oriented feedback and knowledge-sharing part of our day-to-day

PROMOTE GENDER PARITY, DIVERSITY AND INCLUSION

At SMIS, we are proud of our organisational culture that promotes inclusivity and diversity among the workforce. The diversity of experience, expertise and perspectives makes us more capable as a team and prepares us better to meet the challenges of tomorrow. Inclusivity makes each employee feel that they are a valued member of the team, thus encouraging them to bring their best to the table.

We believe in creating a workplace representing people of all genders, ethnicities, regional affiliations, age, who bring a variety of perspectives and experiences. Irrespective of their backgrounds, we give equal opportunities to all and ensure there is no discrimination. Ensuring gender parity is also a key focus area. With a goal to achieve gender parity, we are making conscious efforts to strengthen our women workforce and provide them with equal opportunities. We maintain a healthy diversity ratio across the organisation.

With this SMIS Group in mind, the Group strives to attract employees with different backgrounds, age and experience. The Group strives to manage diversity and inclusivity from a range of factors including age, gender, ethnicity, nationality, sexual orientation, cultural background or other personal factors.

SUSTAINABILITY STATEMENT

cont'd

Below is the work force composition of SMIS Group' for FY2022:

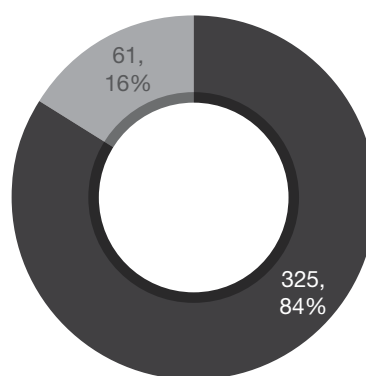
Total Employees	386
Local	218
Foreign	168

	Bangladesh	Indonesia	Japan	Malaysia	Myanmar	Nepal	Philippine	Total
Total Employees at 31 December 2022	30	34	1	218	34	78	1	386
New Employees for year 2022	5	2	1	79	0	49	0	136

	Y3 - 2022
Total Employees	386
New Employees	136

	Total Employees by Gender	FY2022 (New Employees)
Male	325	120
Female	61	16

Total Employees By Gender



■ Male ■ Female

	Bangladesh	Indonesia	Japan	Malaysia	Myanmar	Nepal	Philippine	Total
Leaving Employees for year 2022	2	2	1	98	10	6	0	119

SUSTAINABILITY STATEMENT

cont'd

Fostering Youth Employees

Integrating youth to strengthen the business environment is to the core of SMIS Group. In the FY2022, considering the nature of business and future potential SMIS Group recruited more than 75% of employees having age less than 30 years.

	FY2022	
	Total Employees	New Employees
<30	171	103
30-50	177	30
>50	38	3

Employee Turnover

Employee retention is one of the key factor on which SMIS Group is consciously managing, we are taking regular feedback from off-boarding employees considering the parameter of economy, regional shift, age, mental well-being etc. The number of employee turnovers during the financial year under review is as follows:

Employees turnover	Y3 - 2022
<30	79
30-50	35
>50	5

Employees turnover	Y3 - 2022
Male	107
Female	12

EMPLOYEE DEVELOPMENT

Training

We train our employees with the skills needed for today and tomorrow. Training efforts include mandatory curricula for new hires and existing employees, along with a range of programs focused on topics from leadership development and technology to risk and compliance and business processes. All employees are required to take annual training on our Code of Conduct, as well as courses related to privacy and data protection, cybersecurity and anti-corruption. The training needs for each function or individual employees are identified as part of the Group's ongoing business and people improvement.

For the financial year under review, a total of 117 employees attended training on the topic listed below:

Data Analysis	Economy Wellbeing	Health and Safety	Leadership and Management
DATA FORMULATION OEE	FMEA	FIRE DRILL	APQP PROJECT MANAGEMENT
DATA GENERATION	HASIL -MEF TAX	FIRST AID & CPR	COMMUNICATION SKILLS
MACHINE DATA LOGGING & VISUALISATION	INCOME TAX EMPLOYEE REPORTING	SAFE OPERATION OF FORKLIFT	DECISION MAKING & PROBLEM SOLVING
MATERIAL DATA SYSTEM (MDS)	UNLOCKING REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP	TOTAL PREVENTIVE MAINTENANCE	LEADERSHIP - BECOME A BETTER LEADER
CHINA AUTOMOTIVE MATERIAL DATA SYSTEM (CAMDS)		PANDEMIC CAUSES & SAFETY ASSURANCE	BASIC PRODUCT KNOWLEDGE

SUSTAINABILITY STATEMENT

cont'd

Upskilling and Reskilling

Upskilling and reskilling our existing employees – who already know our culture and are committed to our company – is an effective and efficient way to have the talent we need to compete and thrive now and into the future. Just as importantly, it is one of the best ways we can advance our commitment to diversity, equity and inclusion.

In order to help employees, understand the skills they need to advance their careers at the Company, and identify relevant training opportunities, we also offer programs to help employees develop tailored learning journeys based on aspirational roles in their career development plans.

Performance Evaluations

We use an annual performance review process to help employees grow and to evaluate how they support our culture, business success and employee engagement and development. Employees are assessed across four core dimensions: business results; client, customer and stakeholder; teamwork and leadership; and risks, controls and conduct.

EMPLOYEE WELFARE

The industry has seen volatile economic and market conditions in the past few years. The Group continued to undertake prudent and balanced measures to keep the Group's business sustainable in the short and long term, including taking care of our employees.

In addition to fair and equal employment practices, we provide competitive employee packages and benefits to support our employees, summarised as follows:

Health and well-being

- Medical, dental, and vision coverage: protecting colleagues' and their families' health with comprehensive benefits, low out-of-pocket costs, and high levels of coverage
- Mental health: helping colleagues and their family members manage their mental health needs at minimal or no cost through a variety of confidential resources, including the global Colleague Support Center, telehealth solutions, and access to in-person psychology and psychiatry services
- Business travel emergency protection: providing 24/7 global support, through International SOS, for emergency medical, security, and logistical issues when working away from home

Financial protection

- Life and accident insurance: safeguarding colleagues' and their families' futures in the event of an accident or death
- Disability insurance: preserving colleagues' income if an illness or injury prevents them from working
- Retirement programs: securing colleagues' futures with savings and investment plans

Family and personal support

- Personal leave policies and support: flexible work arrangements and leaves of absence to allow colleagues time for caregiving or grieving
- Parental leave policies: generous time away from work for new parents

SUSTAINABILITY STATEMENT

cont'd

PROTECTING THE ENVIRONMENT

At SMIS, we are innovating and championing for a tomorrow that is greener and more sustainable, not only for people but also for other species that co-exist with us.

Sustainability Framework

Sustainability has been intrinsically woven into our strategy and core business operations since more than a decade. Anticipating and managing future risks and opportunities is embedded into our governance structure. This has helped us to shape the sustainability agenda for our Company. Our framework stands tall on the three pillars of SMIS's Sustainability Framework - Responsible Stewardship, Stakeholder Engagement, and Future Proofing. It enables us to systematically apply our sustainability thinking to everything from product development and innovation to our internal systems and external relationships, as well as our risk management. This implementation paves way for purpose-driven and meaningful decision-making. We empower and invest in our people to transform our dreams into reality.

Environment Responsibility

SMIS Group recognises that climate change has potential and actual impacts on its operations, value chain and stakeholders. Therefore, the Group remains vigilant in not only monitoring its operations' emissions as well as energy and resource consumption – which may directly or indirectly contribute to climate change – but also implementing initiatives to support the reduction of any climate change impacts the Group may produce.

This commitment aligns with many industry and government players that are continuously monitoring and reducing their carbon emissions to significantly address climate change. SMIS Group continues to work with industry peers, suppliers and governmental authorities to discuss the increasing importance of sustainability in the business and ways to innovate. The event focused on bringing technical insights, providing learning opportunities, aligning all the internal stakeholders with best-in-class global good practices, and understanding the future challenges that we may face.

Some of the conservative measures that all employees take to manage SMIS Group's environment footprint include:

Switching off computers, lights and air conditioners and all other appliances during non-operation hours or when not in use

Installation of rainwater harvesting for toilet system and air condition

Reusing and recycling of office stationery and paper

Check and edit document on computer before printing

Print double sided as default setting to save paper

Production waste and leftover will be recycled

We actively ensure that employees comply with these environmental-friendly protocols by highlighting their importance during new employees' induction courses, monthly briefing sessions, inside our employment contracts and periodic environmental awareness training and education sessions.

Sustainability Governance

Our Board and Management Team lead the organisation's actions that drive our sustainability agenda to fruition. We communicate with all our stakeholders while maintaining the highest standards of transparency, inspiring trust, and a recognition of accountability across the board. Key responsibility to manage the climate risk includes:

- To drive the implementation of sustainability roadmap across business functions and verticals.
- To set targets and identify various business risks (including climate change risk) and recommend action plans.
- Implementing our strategies and monitoring our progress on sustainability is done by integrating all our functions in the process, right up to our manufacturing units.
- Sustainability performance like Health & Safety, energy performance, alternate fuel and water positivity are also part of our executive compensation targets.

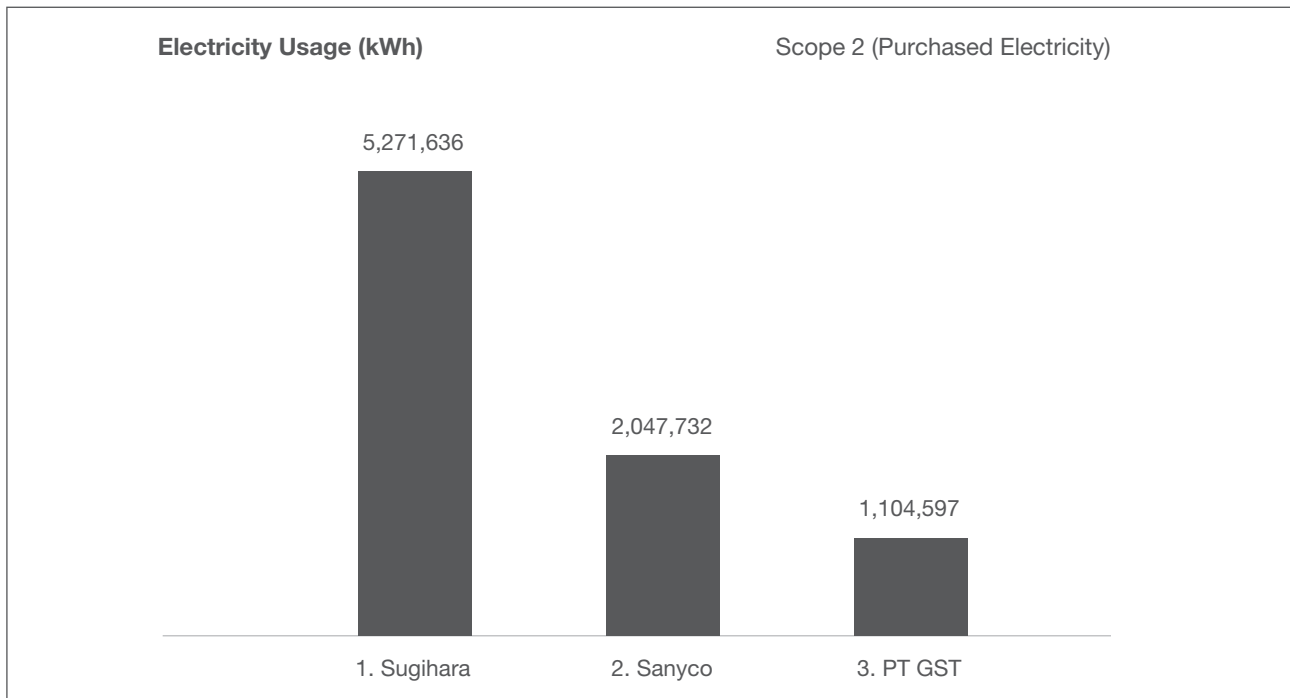
SUSTAINABILITY STATEMENT

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While SMIS Group is in its early stages of implementing significant climate change mitigation, several climate-change-related initiatives are being looked into to be applied in the future. The Group will continue to improve in addressing and reducing climate change impacts and emissions moving forward.

Energy and Emission

The GHG Protocol divides emissions into three categories or “scopes.” Scope 1 emissions are the direct result of an organisation’s operations, and Scope 2 emissions come from the power generated by others that is used to run the operations. The main source of emission for SMIS Group would be from the direct combustion of Liquefied Petroleum Gas (“LPG Gas”) (Scope 1) and purchased electricity (Scope 2). Scope 3, however, is more difficult to determine because it attempts to understand the full range of indirect emissions from sources not owned or controlled by the manufacturer.



For FY2022, emissions from fuel consumption 1 were recorded at approximately 175 tCO₂e and Scope 2 emissions from electricity consumption was 5,637.42 tCO₂e.

SMIS Group has taken its first steps for decarbonising by following efforts:

- Replacing fluorescent tubes with Light Emitting Diodes and fitting them with refractors leads to 45% savings in lighting cost.
- Installation of transparent roofing
- Awareness trainings
- Installing energy saving devices

SUSTAINABILITY STATEMENT

cont'd

Waste Management

SMIS Group's waste management is based on 5Rs principle mainly Reduce, Reuse, Recycle, Replace and Remove as a part of long term commitment to emission reduction. SMIS Group has well established waste management plan with proper segregation of recyclable material and proper disposal of waste material is an established practice of group. Our production team are constantly exploring innovative ways to minimise wastage, disposing process and implementing 5R principle.

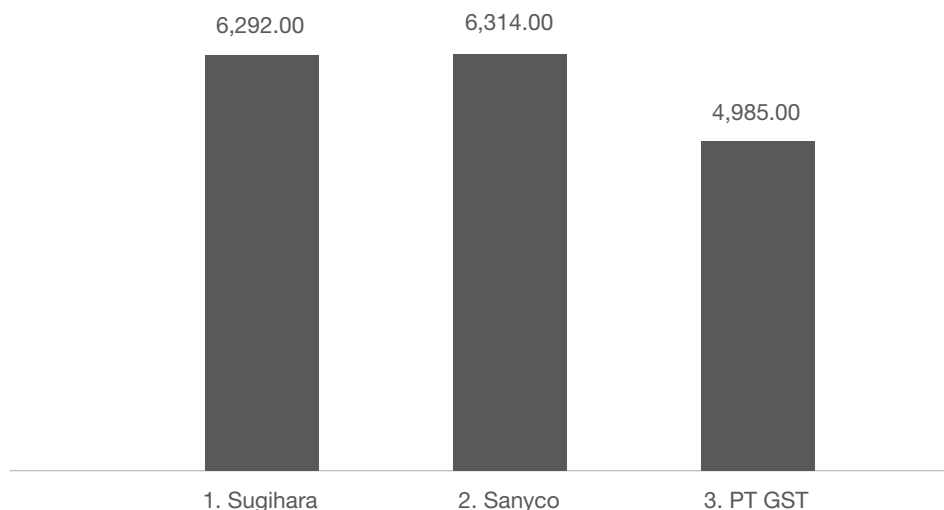
Protecting Water Resources

Managing water is an indispensable part of our business. We aim to minimise our freshwater intake and maximise water availability for the nearby communities.

We have integrated recycling of water, rainwater harvesting, recharging of groundwater, and employing water efficient technology as mainstream practices.

We comply with all the laws and regulations safeguarding water resources. We do not endanger any water body; and we keep track of the ground and surface water levels and quality across of facilities. All our facilities are adhering to zero water discharge. We are also exploring the possibilities of conducting rigorous independent studies on watershed mapping, aquifer quality, and impacts of groundwater recharge in and around our plants and making SMIS Group water positive organisation.

Water Consumption (m³)



FY2022, Water Consumption at SMIS Group

SUSTAINABILITY STATEMENT

cont'd

Biodiversity

We are cognizant of the fact that our processes impact biodiversity and we strive to take steps to minimise or eliminate this impact. In keeping with this, SIMS Group operational units are located at industrial zones and not in Natural Reserve and Protected Areas. Our Biodiversity Policy and management plans ensure that we minimise and mitigate biodiversity risks throughout our operations and strive to avoid adverse impacts on the natural habitat. The continued environmental monitoring activities and the prevention of potential environmental leakages or spills are also aspects that SMIS Group looks to maintain for the sake of a healthy biodiverse environment.

Corporate Social Responsibility Initiative (CSR) – Cleaning the PD Beach



MOVING FORWARD

Cognizant of the global efforts towards mitigating climate change and the worldwide target to keeping the increase in the global average temperature to below 2 degrees Celsius above pre-industrial levels, the Board of SMIS Group acknowledges its responsibility as a corporation, especially one that is involved in the scope 1 and scope 2 emission.

Acknowledging these expectations from the global community, regulators, and other stakeholders, as well as an acknowledgment of SMIS Group corporate responsibilities, the Board of SMIS Group will conduct an assessment on the extent of impact climate change will have on the business, and vice versa. As appropriate, the Board will incorporate climate change strategies into the Group's business strategies and set relevant targets toward reducing our carbon footprint to align our business value creation with the low carbon economy.



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 (4th Edition) issued by Bursa Malaysia and Paragraph 15.25 of the Bursa Malaysia Listing Requirements.

This statement 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) and Corporate Governance Report 2022 which can be downloaded from the Company’s website at www.smis.com.my or from Bursa Malaysia’ website at www.bursamalaysia.com, as the application of certain corporate governance practices may be more evidently manifested in the context of the respective statements.

The Corporate Governance Report 2022 sets out how the SMIS Group has applied each Principles and Step-Ups as set out in the MCCG during the FY2022. 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. SMIS will further enhance its MCCG adoption and put in effort to adhere to all recommended best practices from time to time.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

The Group is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the Group, generating value for shareholders and contributing to wider stakeholders. The Board has ultimate responsibility for the overall leadership of the Group. In this role, it oversees the development and delivery of the Group’s strategies.

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 and manage 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;
- v) establishing proper succession planning, including selecting, appointing, assessing, training, monitoring, fixing the compensation of and where appropriate, replacing Board and Senior Management;
- vi) developing and implementing a Corporate Disclosure Policies and Procedures (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 the integrity of the Company’s financial and non-financial reporting;
- ix) ensuring that the Company adheres to high standards of ethics and corporate behaviour; and
- x) 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 FY2022 and majority 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 35 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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 that has been revised on 28 April 2022 is available in the Company's website at www.smis.com.my.

To ensure the continuous relevance of the Board Charter with the MCCG and Bursa Malaysia Listing Requirements, the Board conducts regular review of the Board Charter as and when is necessary.

Composition of the Board

An effective Board needs to have the right group of people, considering each individual's background, skills, knowledge and experience, diversity (e.g. age, gender, culture) and how to bring a group of individuals to work together as a team and assist the Company to achieve its goals. Considerations include the size, composition and time commitments required for the Board members to fulfil their duties effectively.

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 2022, there were five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors.

Thus, the Board's composition complies with 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. The MCCG now provides that at least half of the Board must comprise Independent Directors and for large company there must be a majority of Independent Directors. The Board takes cognizance of the recommendation of the MCCG and has adopted this corporate governance best practice. 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 8 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 FY2022, the Board had assessed the independence of its Independent Non-Executive Directors based on criteria developed by the NC and are 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.

Tenure of Independent Directors

The Board Charter 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.

There are two (2) Independent Non-Executive Directors namely, Ms Wern Li Morsingh and Mr Oei Kok Eong have reached the eleven (11) and nine (9) years tenure limit on 27 November 2023 and 20 November 2023 respectively. The NC and the Board, after having reviewed and assessed the fit and proper self-declaration form and independence of the said Independent Directors, considers them to be independent and recommended to the shareholders for approval on their retention at this forthcoming Twenty-Fourth ("24th") Annual General Meeting ("AGM") of the Company to enable them to continue in office as an Independent Non-Executive Director of the Company. The justifications for their retention can be found in the Notice of 24th AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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Board and Senior Management 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. A brief description of the background of each Director is presented under the Profile of Directors of this Annual Report.

As for Senior Management, the Company strives for equal employment opportunity of which the positions are to be filled with the most suitable candidates on the basis of qualifications, relevant experience, performance potentials and any other attributes required of the job.

The composition of the Board and Senior Management's diversity, as at 31 December 2022, are illustrated as below:

The Board

Ethnicity		Age		Gender	
Malaysian Indian	1	50-59 years	3	Male	3
Malaysian Chinese	4	>60 years	2	Female	2

Senior Management

Ethnicity		Age		Gender	
Malaysian Chinese	2	50-59 years	2	Male	2

Composition and Attendance of Meetings

The number of Board and Board Committee Meetings held in FY2022 and the attendance of each member of the Board at the respective Board and Board Committee Meetings are as follows:-

Name	Designation	Meeting Attendance			Audit and Risk Committee
		Board of Directors	Nomination Committee	Remuneration Committee	
Ng Wai Kee	Executive Director & Chairman	5/5	-	-	-
Yap Siew Foong	Executive Director	4/5	-	-	-
Wern Li Morsingh	Independent Non-Executive Director	5/5	1/1	1/1	5/5
Oei Kok Eong	Independent Non-Executive Director	5/5	1/1	1/1	5/5
Tan Hock Soon	Independent Non-Executive Director	5/5	1/1	1/1	5/5

In order to ensure all the Directors are able to attend the Board and Board Committees meetings, the calendar for the Board and Board Committees meetings is circulated in advance before the commencement of the financial year which allows the Directors to plan their schedules. The Board is also mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and enhance their professional skills.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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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. All reports are presented in a clear and concise manner, to enable the Board to analyse and discharge their duties effectively. Upon the conclusion of the meeting, the minutes will be circulated to the Board for review and comments within a reasonable timeframe prior to the Chairman's confirmation at the next Board meeting.

Aside from Board meetings, any business or urgent matters will also be decided via written circular resolution to ease the decision-making process.

Code of Conduct, Code of Ethics, Insider Dealing Policy and Anti-Bribery and Anti-Corruption ("ABAC") 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.

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 will not be allowed to trade in securities of the Company 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 FY2022, none of the Directors dealt in securities of the Company during the closed period.

The Company had adopted the ABAC Policy to ensure that it has adequate procedures in place to prevent persons associated with the Group from undertaking corrupt conduct in relation to the business activities. The Group will review the ABAC policy and programme periodically to assess the performance, efficiency and effectiveness of the Group's anti-bribery and anti-corruption processes and risk management system.

Copies of the Code of Conduct, Code of Ethics, Insider Dealing Policy and ABAC Policy are 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. Through this policy, the Group can preserve its culture of openness, accountability and integrity to enable whistleblowers to express their concerns without fear of punishment or unfair treatment.

Copy of the Whistle Blower Policy which has been revised on 28 April 2022 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 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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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 and/or the representatives of 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.

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 the Directors during the FY2022 are as follows:-

No.	Name of Director	Programme	Date Attended
1	Ng Wai Kee	Unstoppable Trends: Is Crypto Here To Stay	15 February 2022
		How to Manage the Current Global Supply Chain	26 April 2022
		Customer Service Excellence Program	21 June 2022
		Using UX/UI Methodology and Techniques to Help Your Business Convert	15 November 2022
2	Yap Siew Foong	ESG and Sustainability Reporting	12 December 2022
3	Wern Li Morsingh	The Investment Talk That You Should Attend Now (Part 2)	29 October 2022
4	Oei Kok Eong	AOB Conversation with Audit Committees	7 April 2022
		Insights into TCFD on Climate-Related Financial Disclosures ("TCFD") and Sustainable Finance	21 April 2022
		Resilience in time of crisis	21 April 2022
		Navigating through the evolution of Corporate Governance with the introduction of Tax Corporate Governance Framework	13 July 2022
		The Rebel Talent Tool shows you how to 'let your workers rebel'	4 October 2022
5	Tan Hock Soon	Securities Commission Malaysia's Audit Oversight Board Conversation With Audit Committees	7 April 2022
		An overview of the Malaysia Employment (Amendment) Act 2022	24 May 2022
		Advocacy Session for Directors and Senior Management of Main Market Listed Issuers	9 August 2022
		Key Amendments to Listing Requirements 2022	18 October 2022
		ESG Disclosures: Improving the Quality of ESG Data and its Impact	23 November 2022

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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The Company Secretaries circulate 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.

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	<i>Chairman (Independent Non-Executive Director)</i>
Wern Li Morsingh	<i>Member (Independent Non-Executive Director)</i>
Oei Kok Eong	<i>Member (Independent Non-Executive Director)</i>

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.

Following the amendments made to Bursa Malaysia Listing Requirements, the Board had on 30 June 2022 adopted a Directors' Fit and Proper Policy which set out the approach, guidelines and procedures to ensure a formal, rigorous and transparent process is being adhered for the appointment, re-appointment and/or re-election of the Directors of the Company.

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 fit and proper 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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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 Committee's 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.

During the financial year under review, one (1) Committee meeting was held and attended by all the members. A summary of key activities undertaken by the NC in the discharge of its duties for the FY2022 are 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, considered and assessed the performance, and made recommendations to the Board for its approval, regarding the Directors who are seeking for re-election at the forthcoming AGM pursuant to Company's Constitution;
- c) Reviewed and recommended to the Board for consideration and subsequently table to the shareholders for approval on the continuation of office of Independent Non-Executive Directors who have served the Company as Independent Directors for a cumulative term of more than nine (9) years at the forthcoming AGM;
- d) Assessed the overall Board and the Board Committees' performance and effectiveness as a whole;
- e) Reviewed and assessed the independence of Independent Directors and their tenure of service;
- f) Assessed Directors' training needs to ensure all Directors receive appropriate continuous training programmes;
- g) Reviewed and assessed the term of office and performance of the ARC and each of its members; and
- h) Reviewed the Terms of Reference of the NC, Board Diversity Policy, Directors' Assessment Policy, Succession Planning Policy and Directors' Fit and Proper Policy pursuant to the MCCG and the amendments to the Bursa Malaysia Listing Requirements prior to the recommendation to the Board for adoption.

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 FY2022.

The Company's Constitution provides that at least one-third (1/3) of the Directors be subject to retirement by rotation at each AGM, and that all Directors retire once every three (3) years and be eligible to offer themselves for re-election. The Constitution also provides that a Director who is appointed during the year be subject to re-election at the next AGM following his appointment.

The NC is also responsible to conduct the fit and proper assessments on the Directors who are due for retirement at the AGM. Based on the assessment, the NC and the Board are satisfied with the performance of the Directors namely Madam Yap Siew Foong and Mr Tan Hock Soon who will be subjected to retiring by rotation pursuant to Clause 96 of the Company's Constitution and being eligible, offered themselves for re-election.

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 which has been revised on 28 April 2022 is available on the Company's website at www.smis.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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RC

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

Wern Li Morsingh	<i>Chairperson (Independent Non-Executive Director)</i>
Oei Kok Eong	<i>Member (Independent Non-Executive Director)</i>
Tan Hock Soon	<i>Member (Independent Non-Executive Director)</i>

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 the 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.

Directors and Senior Management's Remuneration

The Board has formalised and revised the Remuneration Policy for Directors and Senior Management on 28 April 2022 which determines 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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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 FY2022 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:-

Tan Hock Soon	<i>Chairman (Independent Non-Executive Director)</i>
Wern Li Morsingh	<i>Member (Independent Non-Executive Director)</i>
Oei Kok Eong	<i>Member (Independent Non-Executive Director)</i>

The Chairman of the ARC is not the Chairman of the Board allows the Board to objectivity 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.

The ARC's Term of Reference sets out its rights, duties, responsibilities and criteria on the composition of ARC which if it includes a former key audit partner, he/she shall observe a cooling-off period of at least three (3) years before being able to be appointed as member of ARC.

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:-

- Calibre of external audit firm;
- Quality processes/performance;
- Sufficiency of resources;
- Independence and objectivity;
- Audit scope and planning;
- Audit fees; and
- Audit communications.

The ARC members have met with the external auditors twice (24 February 2022 and 22 November 2022) 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 Messrs 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 seven (7) years to ensure objectivity, independence and integrity of the audit.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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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 auditor on 28 April 2022 and recommended to the Board for re-appointment of Baker Tilly as External Auditors for the FY2022.

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 FY2022, 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 50 to 53 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.

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 outsourced the internal audit function to T.H. Kuan & Co.

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. The evaluation of the effectiveness of the internal audit function is conducted annually by the ARC.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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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.

General Meetings

The AGM is a principal forum for a two-way communication between the shareholders and the Management of the Group. Shareholders are provided with an opportunity to participate in the question-and-answer session in which they may raise questions pertaining to the Group's businesses and affairs.

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 Company has conducted its 23rd AGM on a virtual basis through live streaming and online remote voting using the Remote Participation and Electronic Voting ("RPEV") facilities on 30 June 2022. This is so provided by the Constitution of the Company which allows for General Meetings to be held using any technology or electronic means.

In line with the recommendation of MCGG, the 23rd AGM notice of the Company was served more than twenty-eight (28) days prior to the meeting and the meeting was participated by all five (5) directors of the Company. The Board Chairman, Chairman of the Board Committees and representative of External Auditors were available to response to the questions of shareholders during the 23rd AGM.

When there is special business or where special resolutions are proposed, the explanation of the effects of such special business or special resolutions are provided in the notice of the 23rd AGM under the explanatory notes.

The outcome of all resolutions proposed at the 23rd AGM was announced to Bursa Malaysia at the end of the meeting day.

The minutes of the 23rd AGM held on 30 June 2022 was made available to the shareholders within 30 business days after 23rd AGM of the Company's website at www.smis.com.my.

LOOKING AHEAD

The Board is mindful of the need to continually strengthen its governance practices and processes in identified key focus areas and future priorities as part of its forward-looking strategies. Moving forward, these Practices will be constantly reviewed and strengthened where needed. Key focus areas and future priorities that have been identified include tenure of Independent Directors and Board Succession Planning.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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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 FY2022 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 FY2022 are disclosed in note 24 on pages 114 to 115 of the notes to the financial statements and in the Part A of the Circular/Statement to Shareholders, dated 27 April 2023.

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 FY2022 are as follows:-

	Group (RM)	Company (RM)
Audit Fees	223,800	49,500
Non-Audit Fees	11,000	11,000
Total	234,800	60,500

d) Utilisation of Proceeds

On 8 April 2022, Machinery & Industrial Supplies Sdn. Bhd., a wholly-owned subsidiary of the Company, had entered into a conditional sale and purchase agreement with Kah Motor Company Sdn Berhad to dispose a parcel of leasehold industrial land identified as Lot 448, Seksyen 92 held under Title No. PN24544, located within the Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur together with a 3-storey office building annexed with a double-storey warehouse and other ancillary building for a total cash consideration of RM19,900,000 ("Disposal").

The Disposal has been completed on 20 September 2022. The status of utilisation of the proceed as at 31 December 2022 is as follow:

Details of use of proceeds	Proposed utilisations RM'000	Actual utilisation RM'000	Deviation in actual utilisation	Balance to be utilised	Intended timeframe for utilisation from 20 September 2022
(i) Repayment of bank borrowings	6,888	6,946	(58)	-	Within 6 months
(ii) Renovation of new operating premises	520	292	-	228	Within 14 months
(iii) Working capital	9,798	9,898	(100)	-	Within 12 months
(iv) Payment of RPGT	1,494	1,563	(69)	-	Within 3 months
(v) Defrayment of estimated expenses for the Disposal	1,200	973	227	-	Immediate
	19,900	19,672	-	228	

This Statement is approved by the Board on 27 April 2023.



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 FY2022 in accordance with Paragraph 15.15 of Bursa Malaysia Listing Requirements and MCGG.

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 FY2022 were as follows:

Composition of Committee	No. of Meetings Attended
Tan Hock Soon <i>Chairman (Independent Non-Executive Director)</i>	5/5
Wern Li Morsingh <i>Member (Independent Non-Executive Director)</i>	5/5
Oei Kok Eong <i>Member (Independent Non-Executive Director)</i>	5/5

The Chairman of the ARC, Mr Tan Hock Soon, is an Independent Director and is a fellow member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. All members of the ARC are financially literate. They are able to understand matters under the purview of the ARC including the financial reporting process to effectively discharge their duties and responsibilities as members of the ARC.

The ARC held five (5) meetings during the FY2022. The meetings were appropriately structured through the use of agendas 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.

Minutes of each ARC meeting were recorded and tabled for confirmation at the next ARC meeting and tabled to the Board for notation in the same quarter of the Board Meeting. The ARC Chairman reports to the Board on activities undertaken and key recommendations for the Board’s consideration and decision.

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.

AUDIT AND RISK COMMITTEE REPORT

cont'd

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 FY2022:

1. Financial Reporting

- (a) Reviewed the quarterly 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.
- (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 twice 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.

AUDIT AND RISK COMMITTEE REPORT

cont'd

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 Blowing 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 FY2022 and ensured that these reports were prepared in accordance with the applicable requirements for inclusion in the Annual Report 2022 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.
- (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.
- (d) Reviewed the Terms of Reference of the ARC pursuant to the latest amendments to the Bursa Malaysia Listing Requirements and MCCG prior to the recommendation to the Board for adoption.

INTERNAL AUDIT FUNCTION

The Group's internal audit function, which reports directly to the ARC, was outsourced to T.H. Kuan & Co.

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	Sanyco Grand Industries Sdn Bhd	<ul style="list-style-type: none"> i) Inventory management and logistics ii) Property, plant and equipment management iii) Human resource management
2	Sugihara Grand Industries Sdn Bhd	<ul style="list-style-type: none"> i) Inventory management and logistics ii) Property, plant and equipment management iii) Human resource management
3	Grand Carpet Industries Sdn Bhd	<ul style="list-style-type: none"> i) Inventory management and logistics ii) Property, plant and equipment management iii) Human resource management

AUDIT AND RISK COMMITTEE REPORT

cont'd

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.

The total professional fees paid for the outsourcing of the internal audit function for the FY2022 was RM38,300 (2021 – RM36,600).

In addition, the Internal Auditors met the ARC on 22 November 2022 and 28 February 2023 without the executive members of the Board and Management team being present to discuss audit related matters. The Internal Auditors reported that there were no issues requiring their attention other than those reported in the audit findings.

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 FY2022.

This report is made in accordance with the approval of the Board of Directors dated 27 April 2023.



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 FY2022. This Statement on Risk Management and Internal Control was made pursuant to Paragraph 15.26 (b), Practice Note 9 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 of Directors at its scheduled meetings, who are in consultation with the ARC. During the FY2022, 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.
- The Carpet division within Automotive segment is reviewed and certified by ISO 9001:2015 and IATF 16949:2016 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. The said business division is also ISO14001 certified, 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.
- The Braking Component division within Automotive segment is reviewed and certified by ISO 9001:2015, IATF 16949:2016 and AS9100 (quality management system for the aerospace industry).
- The Machinery Spares segment is ISO 9001:2015 certified.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional services firm to assist the Board and the ARC in providing an independent assessment of 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 FY2022, 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 inclusion in Annual Report of the Company for the FY2022 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement other than Audits or Reviews of Historical Financial Information 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 continued 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 27 April 2023.



DIRECTORS' RESPONSIBILITY STATEMENT

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 (the "Act") to prepare the financial statements for the FY2022 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 2022, and of the financial performance and cash flows of the SMIS Group for the FY2022.

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 Group, and to detect and prevent fraud and other irregularities.



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DIRECTORS' REPORT

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 2022.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are as stated in Note 8 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/(Loss) for the financial year, net of tax	19,648	(8,303)
Attributable to:		
Owners of the Company	18,453	(8,303)
Non-controlling interests	1,195	-
	19,648	(8,303)

DIVIDENDS

No dividend 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 2022.

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 debt 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 or 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 or 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 or 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 or 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 new 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 2022, 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 14 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*
Wern Li Morsingh
Oei Kok Eong
Tan Hock Soon

* 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
Chen, Ting-Kuo
Masahiko Shimbara
Robert Koong Yin Leong
Shigeru Sugihara
Soo Hak Min
Tiang Soon Seong @ Ivan (Ceased as Director on 9 March 2023 due to Exsilio Pte. Ltd. has been struck off from the Company Registrar of Singapore)

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 1.1.2022	Bought	Sold	At 31.12.2022
The Company				
Direct interests				
Ng Wai Kee	1,550,900	-	-	1,550,900
Yap Siew Foong	1,263,730	-	-	1,263,730
Indirect interests				
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 interests 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 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 below) 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.

The directors' benefit of the Group and the Company were as follow:

	Group RM'000	Company RM'000
Director of the Company		
Executive directors		
- Other emoluments	1,043	-
Non-executive directors		
- Fees	157	157
- Other emoluments	21	21
	178	178
Director of the Subsidiaries		
Executive directors		
- Other emoluments	709	-
	1,930	178

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.

DIRECTORS' REPORT

cont'd

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 RM9,500 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 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 AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The details of significant events during the financial year and subsequent to the end of the financial year are disclosed in Note 27 to the financial statements.

AUDITORS

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

The auditors' remuneration of the Group and the Company during the financial year were RM223,800 and RM49,500 respectively.

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

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: 27 April 2023

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	27,048	30,660	-	-
Right-of-use assets	6	12,947	14,345	-	-
Investment properties	7	-	993	-	-
Investment in subsidiaries	8	-	-	69,280	65,375
Deferred tax assets	9	23	73	-	-
Other receivable	11	-	-	-	1,812
Total non-current assets		40,018	46,071	69,280	67,187
Current assets					
Inventories	10	22,852	21,332	-	-
Tax recoverable		805	673	-*	-
Trade and other receivables	11	30,330	29,617	5	1,941
Prepayments		937	451	-	-
Cash and short term deposits	12	25,028	13,967	1,597	2,024
Total current assets		79,952	66,040	1,602	3,965
TOTAL ASSETS		119,970	112,111	70,882	71,152
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	13	49,691	49,691	49,691	49,691
Treasury shares	14	(1,192)	(1,192)	(1,192)	(1,192)
Reserves	15	24,174	6,140	14,140	22,443
		72,673	54,639	62,639	70,942
Non-controlling interests		14,969	13,776	-	-
TOTAL EQUITY		87,642	68,415	62,639	70,942

* Represented by amount less than RM1,000.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022
cont'd

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current liabilities					
Loans and borrowings	16	3,246	3,674	-	-
Lease liabilities	6	313	134	-	-
Deferred tax liabilities	9	823	323	-	-
Provision for post-employment benefit	17	59	45	-	-
Total non-current liabilities		4,441	4,176	-	-
Current liabilities					
Loans and borrowings	16	428	9,350	-	-
Lease liabilities	6	393	705	-	-
Trade and other payables	18	27,066	29,425	8,243	210
Tax payables		-	40	-	-
Total current liabilities		27,887	39,520	8,243	210
TOTAL LIABILITIES		32,328	43,696	8,243	210
TOTAL EQUITY AND LIABILITIES		119,970	112,111	70,882	71,152

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

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	19	154,399	113,176	-	2,200
Cost of sales		(133,919)	(103,528)	-	-
Gross profit		20,480	9,648	-	2,200
Other operating income		20,219	2,059	-	-
Administrative and distribution expenses		(13,728)	(11,344)	(4,329)	(489)
Other operating expenses		(4,118)	(1,907)	(116)	-
Net impairment losses of financial instruments		- *	(30)	(3,858)	(272)
Operating profit/(loss)	20	22,853	(1,574)	(8,303)	1,439
Finance income		21	18	-	-
Finance costs	21	(602)	(728)	-	-
Profit/(Loss) before tax		22,272	(2,284)	(8,303)	1,439
Income tax expense	22	(2,624)	(183)	- *	- *
Profit/(Loss) for the financial year		19,648	(2,467)	(8,303)	1,439
Other comprehensive (loss)/income for the financial year, net of tax					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations		(421)	325	-	-
Total comprehensive income/(loss) for the financial year		19,227	(2,142)	(8,303)	1,439
Profit/(Loss) attributable to:					
Owners of the Company		18,453	(2,345)	(8,303)	1,439
Non-controlling interests		1,195	(122)	-	-
		19,648	(2,467)	(8,303)	1,439
Total comprehensive income/(loss) attributable to:					
Owners of the Company		18,032	(2,020)	(8,303)	1,439
Non-controlling interests		1,195	(122)	-	-
		19,227	(2,142)	(8,303)	1,439
Basic earnings/(loss) per share (sen)	23	43.77	(5.56)		
Diluted earnings/(loss) per share (sen)	23	43.77	(5.56)		

* Represented by amount less than RM1,000.

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022

← 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	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2022	49,691	(1,192)	(343)	6,483	54,639	13,776	68,415
Profit for the financial year	-	-	-	18,453	18,453	1,195	19,648
Other comprehensive loss for the financial year	-	-	(421)	-	(421)	- *	(421)
Total comprehensive (loss)/income for the financial year	-	-	(421)	18,453	18,032	1,195	19,227
Transaction with owners of the Company							
Changes in ownership interests in subsidiaries	-	-	-	2	2	(2)	-
Total transaction with owners of the Company	-	-	-	2	2	(2)	-
At 31 December 2022	49,691	(1,192)	(764)	24,938	72,673	14,969	87,642
At 1 January 2021	49,691	(1,192)	(668)	8,865	56,696	13,861	70,557
Loss for the financial year	-	-	-	(2,345)	(2,345)	(122)	(2,467)
Other comprehensive income for the financial year	-	-	325	-	325	- *	325
Total comprehensive income/(loss) for the financial year	-	-	325	(2,345)	(2,020)	(122)	(2,142)
Transaction with owners of the Company							
Changes in ownership interests in subsidiaries	-	-	-	(37)	(37)	37	-
Total transaction with owners of the Company	-	-	-	(37)	(37)	37	-
At 31 December 2021	49,691	(1,192)	(343)	6,483	54,639	13,776	68,415

* Represented by amount less than RM1,000.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022
cont'd

	← Attributable to the Owners of the Company →			
	Share capital	Treasury shares	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000
Company				
At 1 January 2021	49,691	(1,192)	21,004	69,503
Profit and total comprehensive income for the financial year	-	-	1,439	1,439
At 31 December 2021	49,691	(1,192)	22,443	70,942
Loss and total comprehensive loss for the financial year	-	-	(8,303)	(8,303)
At 31 December 2022	49,691	(1,192)	14,140	62,639

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit/(Loss) before tax		22,272	(2,284)	(8,303)	1,439
Adjustments for:					
Depreciation of:					
- investment properties		6	15	-	-
- property, plant and equipment		5,911	6,948	-	-
- right-of-use assets		1,350	1,210	-	-
Dividend income from subsidiaries		-	-	-	(2,200)
Finance income		(21)	(18)	-	-
Finance costs		602	728	-	-
Gain on disposal of:					
- property, plant and equipment & right-of-use assets		(17,198)	(65)	-	-
- investment properties		(402)	-	-	-
Impairment loss on:					
- other receivable		-	5	-	-
- investment in a subsidiary		-	-	4,321	109
- amount owing from subsidiaries		-	-	-	433
Inventories written-down		1,907	338	-	-
Reversal of inventories written down		(2,558)	(331)	-	-
Reversal of impairment loss on:					
- investment properties		-	(164)	-	-
- amount owing from subsidiaries		-	-	(463)	(165)
Unrealised (gain)/loss on foreign exchange		(229)	(124)	2	-
Written off on:					
- inventories		221	-	-	-
- trade receivables		_*	_*	-	-
- other receivables		-	25	-	-
- amount owing from subsidiaries		-	-	3,712	4
Termination of lease liabilities		-	(27)	-	-
Operating profit/(loss) before changes in working capital, carried forward		11,861	6,256	(731)	(380)

* Represented by amount less than RM1,000.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022
cont'd

	Group		Company	
	2022	2021	2022	2021
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES: <i>cont'd</i>				
Operating profit/(loss) before changes in working capital, brought forward	11,861	6,256	(731)	(380)
Changes in working capital:				
Inventories	(1,090)	(2,988)	-	-
Receivables	(1,125)	(1,546)	(6,707)	687
Payables	(3,095)	703	8,033	(809)
Provision for post-employment benefit	14	(20)	-	-
Cash flows generated from/(used in) operating activities	6,565	2,405	595	(502)
Interest paid	(54)	(40)	-	-
Tax paid	(2,246)	(443)	-*	(93)
Net cash generated from/(used in) operating activities	4,265	1,922	595	(595)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property, plant and equipment	(4,527)	(5,152)	-	-
Dividend income	-	-	-	2,200
Interest received	21	18	-	-
Proceeds from disposal of:				
- property, plant and equipment & right-of-use assets	20,724	1,593	-	-
- investment properties	1,450	-	-	-
Net cash generated from/(used in) investing activities	17,668	(3,541)	-	2,200

* Represented by amount less than RM1,000.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022
cont'd

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:					
Interest paid on borrowings		(548)	(688)	-	-
Net payment of lease liabilities	(a)	(937)	(699)	-	-
Repayment of revolving credit	(a)	(8,922)	(2)	-	-
Repayment of term loan	(a)	(428)	(429)	-	-
Acquisition of interest in subsidiaries		-	-	(1,020)	-
Government grant received		-	401	-	-
Net cash used in financing activities		(10,835)	(1,417)	(1,020)	-
Net change in cash and cash equivalents		11,098	(3,036)	(425)	1,605
Effect of exchange rate changes		(37)	(23)	(2)	-
Cash and cash equivalents at the beginning of the financial year		13,967	17,026	2,024	419
Cash and cash equivalents at the end of the financial year		25,028	13,967	1,597	2,024
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Deposits placed with a licensed bank	12	-	16	-	-
Cash and bank balances	12	25,028	13,951	1,597	2,024
		25,028	13,967	1,597	2,024

(a) Reconciliation of liabilities arising from financing activities:

	At 1 January RM'000	Net Cash flows RM'000	Addition RM'000	Termination RM'000	Foreign exchange movement RM'000	At 31 December RM'000
Group						
2022						
Term loan	4,102	(428)	-	-	-	3,674
Revolving credit	8,922	(8,922)	-	-	-	-
Lease liabilities	839	(937)	800	-	4	706
2021						
Term loan	4,531	(429)	-	-	-	4,102
Revolving credit	8,924	(2)	-	-	-	8,922
Lease liabilities	1,298	(699)	256	(37)	21	839

(b) Total cash outflows for leases

During the financial year, the Group had a total cash outflows for leases of RM1,549,000 (2021: RM1,113,000).

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 Lot 3, Jalan Pemaju U1/15, Seksyen U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan.

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are as stated in Note 8 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 on 27 April 2023.

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 amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture

The adoption of the above amendments/improvements to MFRSs 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.

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

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 MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of Malaysian Financial Reporting Standards	1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2023 [#]
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023 [#] / 1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2023 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
MFRS 132	Financial Instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023 [#]
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 140	Investment Property	1 January 2023 [#]

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

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*

- 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 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.

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

In another amendments, an entity is required to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

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*

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 101 Presentation of Financial Statements *cont'd*

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

2.3.2 The Group and the Company are currently assessing the impact of initial application of the above applicable amendments/improvements to MFRSs. Nevertheless, the Group and the Company expect that the initial application is unlikely to have material financial impacts to the current period and prior period financial statements of the Group and of the Company.

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

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 is measured at loss less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

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.

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*

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. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

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 is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. 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 3.10(b) to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.3 Foreign currency transactions and operations *cont'd*

(a) Translation of foreign currency transactions *cont'd*

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.

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 *Revenue from contracts with customers*.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.4 Financial instruments *cont'd*

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.

Debt instruments

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 3.10(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 3.10(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.

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*

(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 *Financial Instruments* 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; 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 3.10(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)
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 Leases

(a) Definition of lease

At inception of a contract, the Group assesses 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 assesses whether:

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.6 Leases *cont'd*

(b) Lessee accounting

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 presents 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 the Group 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 3.10(b) to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.6 Leases *cont'd*

(b) Lessee accounting *cont'd*

Lease liability *cont'd*

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the 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 “administrative 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.

(c) Lessor accounting

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.

When the Group is intermediate lessor, it accounts 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 3.6(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 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

3.7 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.7 Investment properties *cont'd*

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

3.8 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, consumables 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.

3.9 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.

3.10 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 *Financial Instruments* 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.10 Impairment of assets *cont'd*

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

For trade receivables, the Group applies the simplified approach permitted by MFRS 9 *Financial Instruments* 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.10 Impairment of assets *cont'd*

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

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.

Where the carrying amount of an asset exceeds 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.

3.11 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.11 Share capital *cont'd*

(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.

3.12 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 and the Company.

(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

Post-employment benefits in Indonesia, such as pension, severance pay, service pay and other benefits, are calculated in accordance with the "Company Regulation" which is in line with Law No. 11/2020 concerning Job Creation ("UU Cipta Kerja") and Government Regulation No. 35/2021.

The obligation for post-employment benefits recognised in the statement of financial position is calculated at present value of estimated future benefits that the employees have earned in return for their services in the current and prior years. The calculation is performed by an independent actuary using the Projected Unit Credit method.

Past service cost is recognised immediately in profit or loss.

Actuarial gains and losses from experience adjustments and changes in actuarial assumptions are charged or credited to statement of other comprehensive income as incurred.

3.13 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

3.14 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised in property, plant and equipment in the statements of financial position and transferred to profit or loss over the expected useful life of the related asset.

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 is 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 30 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.

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.

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 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 is 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

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

3.18 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.

3.19 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.

3.20 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.

3.21 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.

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 disclosure 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 that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's financial statements within the next financial year are disclosed as follows:

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 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture 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 2021		5,047	17,219	66,859	16,210	2,075	20,024	1,789	129,223
Additions		-	-	1,610	404	234	682	2,222	5,152
Disposals/Written off		-	-	-	(7)	(301)	-	(1,527)	(1,835)
Reclassification		-	-	27	-	-	832	(859)	-
Government grant received		-	-	(385)	-	-	(16)	-	(401)
Exchange differences		-	7	72	17	4	26	2	128
At 31 December 2021		5,047	17,226	68,183	16,624	2,012	21,548	1,627	132,267
Additions		-	-	1,396	400	-	868	1,863	4,527
Disposals/Written off		-	(2,769)	(10,599)	(3,719)	(36)	(2,222)	(613)	(19,958)
Reclassification		-	-	-	758	-	491	(728)	521
Exchange differences		-	(11)	(144)	(29)	(5)	(44)	(22)	(255)
At 31 December 2022		5,047	14,446	58,836	14,034	1,971	20,641	2,127	117,102
Accumulated depreciation									
At 1 January 2021		-	7,115	51,363	15,371	1,694	16,876	-	92,419
Depreciation for the financial year		-	347	3,682	471	234	2,276	-	7,010
Disposals/Written off		-	-	-	(6)	(301)	-	-	(307)
Government grant received		-	-	(46)	-	-	(16)	-	(62)
Exchange differences		-	1	32	8	4	26	-	71
At 31 December 2021		-	7,463	55,031	15,844	1,631	19,162	-	99,131
Depreciation for the financial year		-	329	3,365	393	150	1,722	-	5,959
Disposals/Written off		-	(1,477)	(10,417)	(3,666)	(31)	(2,222)	-	(17,813)
Reclassification		-	-	-	521	-	-	-	521
Government grant received	5.2	-	-	(48)	-	-	-	-	(48)
Exchange differences		-	(3)	(87)	(35)	(5)	(42)	-	(172)
At 31 December 2022		-	6,312	47,844	13,057	1,745	18,620	-	87,578
Accumulated impairment loss									
At 1 January/31 December		-	-	2,244	208	-	24	-	2,476
Carrying amounts									
At 31 December 2021		5,047	9,763	10,908	572	381	2,362	1,627	30,660
At 31 December 2022		5,047	8,134	8,748	769	226	1,997	2,127	27,048

NOTES TO THE FINANCIAL STATEMENTS

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

Company	Office equipment RM'000
Cost	
At 1 January 2021/31 December 2022	9
Accumulated depreciation	
At 1 January 2021/31 December 2022	9
Carrying amounts	
At 1 January 2021/31 December 2022	-

5.1 Assets pledged as security

Freehold land and buildings of the Group with carrying amounts of RM9,652,000 (2021: RM9,792,000) have been pledged to licensed banks as security for banking facilities granted to subsidiaries as disclosed in Note 16 to the financial statements.

5.2 Government grant

Set out below are government grant received in related to machineries and moulds and jigs during the financial year.

Group	Plant and machineries RM'000	Moulds and jigs RM'000	Total RM'000
At 1 January 2022	339	-	339
Government grant charge out to profit or loss by way of depreciation	(48)	-	(48)
At 31 December 2022	291	-	291
At 1 January 2021	-	-	-
Government grant received during the year	385	16	401
Government grant charge out to profit or loss by way of depreciation	(46)	(16)	(62)
At 31 December 2021	339	-	339

NOTES TO THE FINANCIAL STATEMENTS

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6. 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

The Group lease several assets including leasehold land, buildings, land use rights, computers and plant and machinery.

Information about leases for which the Group are lessee is presented below:

Group	Leasehold land RM'000	Buildings RM'000	Land use rights RM'000	Computers RM'000	Plant and machinery RM'000	Total RM'000
Cost						
At 1 January 2021	2,583	1,973	13,231	545	73	18,405
Additions	-	-	-	256	-	256
Termination	-	(91)	-	(24)	-	(115)
Exchange differences	-	46	351	-	-	397
At 31 December 2021	2,583	1,928	13,582	777	73	18,943
Additions	-	800	-	-	-	800
Disposals	(1,123)	-	-	-	-	(1,123)
Reclassification	-	-	-	(521)	-	(521)
Exchange differences	-	(73)	(358)	-	-	(431)
At 31 December 2022	1,460	2,655	13,224	256	73	17,668
Accumulated depreciation						
At 1 January 2021	1,013	640	1,485	302	34	3,474
Depreciation for the financial year	36	553	412	192	17	1,210
Termination	-	(86)	-	(19)	-	(105)
Exchange differences	-	14	5	-	-	19
At 31 December 2021	1,049	1,121	1,902	475	51	4,598
Depreciation for the financial year	29	701	423	180	17	1,350
Disposals	(647)	-	-	-	-	(647)
Reclassification	-	-	-	(521)	-	(521)
Exchange differences	-	(42)	(17)	-	-	(59)
At 31 December 2022	431	1,780	2,308	134	68	4,721
Carrying amounts						
At 31 December 2021	1,534	807	11,680	302	22	14,345
At 31 December 2022	1,029	875	10,916	122	5	12,947

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *cont'd*

Right-of-use assets *cont'd*

(i) Lease term

The leasehold land and building generally have lease term between 30 to 99 years.

The Group has land used rights over two plots of state-owned land in Republic of Indonesia, with tenure of 37 years and 32 years respectively.

Plant and machinery and computers have lease terms between 1 to 3 years (2021: 1 to 3 years).

Lease liabilities

	2022 RM'000	2021 RM'000
Current	393	705
Non-current	313	134
	706	839

The information about the maturity analysis is disclosed in Note 26(b)(ii) to the financial statements.

	2022 RM'000	2021 RM'000
Recognised in profit or loss:		
Interest expenses on lease liabilities (included in finance cost)	70	118
Expenses relating to short-term leases (included in cost of sales and administrative and distribution expenses)	573	381
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)	39	33

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT PROPERTIES

	Group	
	2022	2021
	RM'000	RM'000
Cost		
At 1 January	1,190	1,190
Disposals	(1,190)	-
At 31 December	-	1,190
Accumulated depreciation		
At 1 January	197	182
Depreciation for the financial year	6	15
Disposals	(203)	-
At 31 December	-	197
Accumulated impairment loss		
At 1 January	-	164
Reversal of impairment loss	-	(164)
At 31 December	-	-
Carrying amounts		
At 31 December	-	993

Investment properties of the Group comprises of two shop offices. The investment properties are leased to third parties. The leases are renewable on a yearly basis.

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

	Group	
	2022	2021
	RM'000	RM'000
Rental income	12	23
Direct operating expenses:		
- income generating investment properties	2	6

NOTES TO THE FINANCIAL STATEMENTS

cont'd

7. INVESTMENT PROPERTIES *cont'd*

Fair value information

Fair value of investment properties is categorised as follows:

	Group			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2022				
Buildings	-	-	-	-
2021				
Buildings	-	-	1,500	1,500

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.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2022	2021
	RM'000	RM'000
Cost		
Unquoted shares		
At 1 January/31 December	97,980	89,754
Accumulated impairment		
At 1 January	24,379	24,270
Impairment loss for the financial year	4,321	109
At 31 December	28,700	24,379
Carrying amounts		
At 31 December	69,280	65,375

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENT IN SUBSIDIARIES *cont'd*

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2022 %	2021 %	
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
Cendana Eksotik Sdn. Bhd.	Malaysia	100	100	Investment holding
PT Grand Surya Techno #	Indonesia	100	99.96	Manufacturing and selling of automotive floor carpet assy, trunk trims and luggage mats
Direct subsidiary and indirect subsidiary held through Machinery & Industrial Supplies Sdn. Bhd. & Grand Carpet Industries Sdn. Bhd.				
SMIS Grand Ventures Sdn. Bhd.	Malaysia	100	100	Investment holding
Direct subsidiary and indirect subsidiary held through Machinery & Industrial Supplies Sdn. Bhd.				
Exsilio Pte. Ltd. *	Singapore	100	100	Investment holding
Direct subsidiary and indirect subsidiary held through Machinery & Industrial Supplies Sdn. Bhd.				
PT Zusma Plastics #	Indonesia	100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS

cont'd

8. INVESTMENT IN SUBSIDIARIES *cont'd*

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

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2022 %	2021 %	
Indirect subsidiaries held through Machinery & Industrial Supplies Sdn. Bhd.				
Plaspoint Sdn. Bhd.	Malaysia	99.87	99.87	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 SMIS Grand Ventures Sdn. Bhd., 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

* The subsidiary has been struck off subsequent to the financial year. As such, the management accounts had been used for the purpose of consolidation.

^ Not required to be audited in its country of incorporation. The management accounts have been reviewed for consolidation purpose.

8.1 Non-controlling interests in subsidiaries

The financial information of the Group's subsidiaries and the Company's subsidiaries that have material non-controlling interests ("NCI") are as follows:

Equity interests held by non-controlling interests

Name of subsidiary	Country of incorporation	Effective ownership interest	
		2022 %	2021 %
Sugihara Grand Industries Sdn. Bhd.	Malaysia	40%	40%

NOTES TO THE FINANCIAL STATEMENTS

cont'd

8. INVESTMENT IN SUBSIDIARIES *cont'd*

8.1 Non-controlling interests in subsidiaries *cont'd*

Carrying amounts of non-controlling interests

Name of subsidiaries	Country of incorporation	Effective ownership interest	
		2022 RM'000	2021 RM'000
Sugihara Grand Industries Sdn. Bhd.	Malaysia	14,973	13,778
Others		(4)	(2)
		14,969	13,776

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

Name of subsidiaries	Country of incorporation	2022 RM'000	2021 RM'000
Sugihara Grand Industries Sdn. Bhd.	Malaysia	1,195	(121)
Others		- *	(1)
		1,195	(122)

* Represented by amount less than RM1,000.

8.2 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.	
	2022 RM'000	2021 RM'000
Summarised statements of financial position		
At 31 December		
Non-current assets	15,572	17,088
Current assets	37,753	34,537
Non-current liabilities	(3,790)	(3,750)
Current liabilities	(12,215)	(13,541)
Net assets	37,320	34,334
Summarised statements of comprehensive income		
Financial year ended 31 December		
Revenue	78,054	57,144
Profit/(Loss) for the financial year	2,987	(303)
Total comprehensive income/(loss)	2,987	(303)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

8. INVESTMENT IN SUBSIDIARIES *cont'd*

8.2 Summarised financial information of material non-controlling interests: *cont'd*

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

	Sugihara Grand Industries Sdn. Bhd.	
	2022	2021
	RM'000	RM'000
Summarised cash flows information		
Financial year ended 31 December		
Cash flows generated from/(used in) operating activities	5,224	(56)
Cash flows used in investing activities	(2,169)	(2,000)
Cash flows used in financing activities	(699)	(704)
Net increase/(decrease) in cash and cash equivalents	2,356	(2,760)

9. 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	
	2022	2021
	RM'000	RM'000
Deferred tax assets	23	73
Deferred tax liabilities	(823)	(323)
	(800)	(250)

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

	Group	
	2022	2021
	RM'000	RM'000
At 1 January	(250)	(247)
Recognised in profit or loss (Note 22)		
- temporary differences between net carrying amounts and the corresponding tax written down values of assets	(1,370)	(38)
- other deductible temporary differences	820	35
	(550)	(3)
At 31 December	(800)	(250)

NOTES TO THE FINANCIAL STATEMENTS

cont'd

9. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

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

	Group	
	2022	2021
	RM'000	RM'000
Deferred tax assets		
Deferred tax assets (before offsetting)		
- unutilised capital allowance	127	193
- other deductible temporary differences	878	73
	1,005	266
Offsetting	(982)	(193)
Deferred tax assets (after offsetting)	23	73
Deferred tax liabilities		
Deferred tax liabilities (before offsetting)		
- temporary differences between net carrying amounts and the corresponding tax written down values of assets	(1,805)	(488)
- other taxable temporary differences	-	(28)
Offsetting	982	193
Deferred tax liabilities (after offsetting)	(823)	(323)

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	
	2022	2021
	RM'000	RM'000
Unutilised business losses	10,467	12,119
Unutilised capital allowances	1,247	4,867
Other taxable temporary differences	(1,480)	(2,531)
	10,234	14,455
Potential deferred tax assets not recognised at 24% (2021: 24%)	2,456	3,469

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia and Indonesia are subject to requirements under Income Tax Act, 1967 and Indonesia Income Tax Article respectively as well as guidelines issued by the tax authority.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

9. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

The unused tax losses are available for utilisation up to the following financial years:

	Group	
	31.12.2022	31.12.2021
	RM'000	RM'000
2021	-	1,631
2023	1,345	2,090
2024	1,620	1,530
2025	1,644	1,553
2026	1,283	1,212
2028	2,171	2,171
2029	1,621	1,621
2030	199	199
2031	112	112
2032	472	-
	10,467	12,119

10. INVENTORIES

	Group	
	2022	2021
	RM'000	RM'000
At lower of cost and net realisable value		
Raw materials	12,966	12,496
Work-in-progress	2,365	2,494
Manufactured goods	2,217	1,888
Trading goods	4,142	3,022
Consumables	1,162	1,432
	22,852	21,332
<u>Recognised in profit or loss:</u>		
Inventories recognised as cost of sales	97,364	91,065
Inventories written-off	221	-

The cost of inventories of the Group recognised as an expense in cost of sales in respect of write-down of inventories to net realisable value was RM1,907,000 (2021: RM338,000) in view of the aged inventories.

During the financial year, the Group reversed the previous inventories with written down value of RM2,558,000 (2021: RM331,000) as a result of sales made on these inventories. The amount of reversal was included in the cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

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11. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current					
Non-trade					
Amount owing from a subsidiary	(a)	-	-	-	1,812
Current					
Trade					
Trade receivables	(b)	28,612	25,190	-	-
Less: Impairment losses		(442)	(442)	-	-
		28,170	24,748	-	-
Non-trade					
Other receivables		6,614	9,353	-	-
Less: Impairment losses		(5,064)	(5,064)	-	-
		1,550	4,289	-	-
Deposits		610	580	-	-
Amount owing from subsidiaries	(c)	-	-	879	3,273
Less: Impairment losses		-	-	(874)	(1,332)
		-	-	5	1,941
Trade and other receivables (Non-current and current)		30,330	29,617	5	3,753

- (a) In previous financial year, the amount owing by a subsidiary represent advances of RM3,623,000 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 2022 has been fully written off due to the strike off of the subsidiary subsequent to the financial year.
- (b) Trade receivables are non-interest bearing and the credit terms of trade receivables offered by the Group range from 30 to 180 days (2021: 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.

12. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits placed with a licensed bank	-	16	-	-
Cash and bank balances	25,028	13,951	1,597	2,024
	25,028	13,967	1,597	2,024

NOTES TO THE FINANCIAL STATEMENTS

cont'd

13. SHARE CAPITAL

	Group and Company			
	Number of ordinary share		Amount	
	2022 Unit'000	2021 Unit'000	2022 RM'000	2021 RM'000
Issued and fully paid up (no par value):				
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.

14. 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 30 June 2022 for the Company to repurchase 10% of its issued ordinary shares. The directors of the Company believe that the repurchase plan is 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 2022, 2,637,000 (2021: 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 (2021: 42,163,000).

15. RESERVES

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-distributable					
Foreign currency translation reserve	(a)	(764)	(343)	-	-
Distributable					
Retained earnings	(b)	24,938	6,483	14,140	22,443
		24,174	6,140	14,140	22,443

(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 2022, the Company is able to distribute the retained earnings under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

16. LOANS AND BORROWINGS

		Group	
	Note	2022 RM'000	2021 RM'000
Non-current			
Term loan		3,246	3,674
Current			
Term loan		428	428
Revolving credit		-	8,922
		428	9,350
Total loans and borrowings			
Term loan	(a)	3,674	4,102
Revolving credit	(b)	-	8,922
		3,674	13,024

(a) Term loan

The term loan bears interest rates at 3.47% to 4.47% (2021: 3.47%) per annum and repayable by 180 monthly installments of RM36,000 (2021: 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) Revolving credit

The revolving credit of the Group bears interest rates range from 4.47% to 5.26% (2021: 4.44% to 4.45%) per annum.

The revolving credit is secured by way of:

- (i) Legal 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.

17. PROVISION FOR POST-EMPLOYMENT BENEFIT

The Indonesian government has officially signed Law No. 11/2020 concerning the Job Creation ("UU Cipta Kerja") in November 2020. The government officially ratified the implementing regulations for the Job Creation Law including Government Regulation No. 35/2021 concerning the certain time work agreement, outsourcing, working time and rest periods, and termination of employment promulgated and enforced on 2 February 2021.

The latest actuarial valuation upon the estimated liabilities for post-employment benefits was conducted by KKA Steven & Mourits Consulting, an independent actuary, based on Actuarial Report dated 20 February 2023.

There were 22 and 12 employees eligible for such post-employment benefits in 2022 and 2021 respectively.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

17. PROVISION FOR POST-EMPLOYMENT BENEFIT *cont'd*

The main assumptions used in calculating the estimated liabilities for post-employment benefits are as follows:

	2022	2021
Normal pension age	55 years	55 years
Annual salary increment rate	5.00%	5.00%
Annual discount rate	7.40%	7.60%
Mortality table	Indonesian table of Mortality 4	Indonesian table of Mortality 4
Resignation rate	10% until age 25 then decreasing into 1% at age 50	10% until age 25 then decreasing into 1% at age 50
Calculation method	Projected unit credit	Projected unit credit
Report period	1 January up to 31 December	1 January up to 31 December

The details of post-employment benefit expense are as follows:

	Group	
	2022	2021
	RM'000	RM'000
Current service cost	15	11
Net interest	3	2
Recognition of past services	(1)	(33)
	17	(20)

The amounts included in the Statements of Financial Position in respect of these post-employment benefits obligation are as follows:

	Group	
	2022	2021
	RM'000	RM'000
Present value of benefit obligations	59	45

Changes in the net liabilities are as follows:

	Group	
	2022	2021
	RM'000	RM'000
At 1 January	45	65
Benefit expenses	17	(20)
Benefit paid	(1)	(1)
Exchange differences	(2)	1
At 31 December	59	45

NOTES TO THE FINANCIAL STATEMENTS

cont'd

17. PROVISION FOR POST-EMPLOYMENT BENEFIT *cont'd*

The sensitivity analysis of the estimated liabilities for post-employment benefits for changes in the main assumptions for the year 2022 and 2021 are as follows:

	Group Post-employment benefits	
	Increase RM'000	Decrease RM'000
2022		
Increase/Decrease of 1% discount rate	52	67
Increase/Decrease of 1% expected rate of salary increase	67	51
2021		
Increase/Decrease of 1% discount rate	39	52
Increase/Decrease of 1% expected rate of salary increase	52	38

18. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade					
Trade payables	(a)	17,598	18,788	-	-
Non-trade					
Other payables and accruals	(b)	9,371	10,583	1,073	210
Advances from customer		97	54	-	-
Amount owing to subsidiaries	(c)	-	-	7,170	-
		9,468	10,637	8,243	210
Trade and other payables		27,066	29,425	8,243	210

- (a) Credit terms of trade payables range from 30 to 120 days (2021: 30 to 120 days).
- (b) Included in other payables and accruals of the Group is an amount of RM1,093,000 (2021: RM1,239,000) owing to a non-controlling interest. The credit terms granted by the non-controlling interest is 60 days (2021: 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

19. REVENUE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Automotive parts	148,360	107,208	-	-
Dividend income	-	-	-	2,200
Machinery parts	6,039	5,968	-	-
	154,399	113,176	-	2,200
Timing of revenue recognition:				
At a point in time	154,399	113,176	-	2,200

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
After charging:				
Auditors' remuneration:				
- Malaysian operations				
- current year	165	149	50	45
- prior year	-	(42)	-	(21)
- Overseas operations				
- current year	59	64	-	-
Non-statutory audit fees:				
- Malaysian operations	11	10	-	10
Depreciation of:				
- investment properties	6	15	-	-
- property, plant and equipment	5,911	6,948	-	-
- right-of-use assets	1,350	1,210	-	-
Foreign exchange loss:				
- realised	303	322	113	-
- unrealised	-	-	2	-
Impairment loss on:				
- other receivables	-	5	-	-
- investment in subsidiaries	-	-	4,321	109
- amount owing from subsidiaries	-	-	-	433
Inventories written-down	1,907	338	-	-

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
After charging: cont'd				
Personnel expenses (including key management personnel):				
- wages, salaries and others	24,518	19,187	178	164
- contribution to Employees Provident Fund	1,568	1,419	-	-
- post-employment benefit	17	(20)	-	-
Rental expenses on:				
- short-term lease				
- staff housing facilities	304	190	-	-
- others	269	191	-	-
- low value assets				
- others	39	33	-	-
Written off on:				
- inventories	221	-	-	-
- trade receivables	-*	-*	-	-
- other receivables	-	25	-	-
- amount owing from subsidiaries	-	-	3,712	4
And crediting:				
Foreign exchange gain:				
- unrealised	(229)	(124)	-	-
Gain on disposal of:				
- property, plant and equipment & right-of-use assets	(17,198)	(65)	-	-
- investment properties	(402)	-	-	-
Rental income from:				
- premises	(119)	(175)	-	-
- investment properties	(12)	(23)	-	-
Reversal of impairment losses on:				
- investment properties	-	(164)	-	-
- amount owing from subsidiaries	-	-	(463)	(165)
Reversal of inventories written down	(2,558)	(331)	-	-
Termination of lease liabilities	-	(27)	-	-

* Represented by amount less than RM1,000.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

21. FINANCE COSTS

	Group	
	2022 RM'000	2021 RM'000
Interest expenses on:		
- term loan	150	150
- bank overdraft	24	5
- revolving credit	304	415
- lease liabilities	70	118
	548	688
Other bank charges	54	40
	602	728

22. INCOME TAX EXPENSE

The major components of income tax expenses for the financial year ended 31 December 2022 and 31 December 2021 are as follows:

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current income tax:					
- current year		(505)	(81)	-	-
- prior year		31	(99)	- *	- *
		(474)	(180)	- *	- *
Deferred tax:					
- current year	9	(509)	(3)	-	-
- prior year	9	(41)	-	-	-
		(550)	(3)	-	-
Real property gain tax ("RPGT")		(1,600)	-	-	-
		(2,624)	(183)	- *	- *

Domestic income tax is calculated at the Malaysia statutory income tax rate of 24% (2021: 24%) of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

22. INCOME TAX EXPENSE *cont'd*

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax	22,272	(2,284)	(8,303)	1,439
Tax at applicable tax rate of 24% (2021: 24%)	(5,345)	548	1,993	(345)
Tax effect arising from:				
- non-deductible expenses	(2,198)	(521)	(2,104)	(223)
- tax exempt income	5,542	79	111	568
- difference in tax rates in other countries	(26)	(42)	-	-
- unrecognised deferred tax assets	1,013	(148)	-	-
- RPGT	(1,600)	-	-	-
- prior years	(10)	(99)	- *	- *
Tax expense for the financial year	(2,624)	(183)	- *	- *

* Represented by amount less than RM1,000.

23. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share are based on the earnings/(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	
	2022	2021
	RM'000	RM'000
Profit/(Loss) attributable to owners of the Company	18,453	(2,345)
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)	43.77	(5.56)

Diluted earnings/(loss) per ordinary share

Diluted earnings/(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 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 earnings/(loss) per ordinary share are equal as the Group has no dilutive potential ordinary share(s).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

24. RELATED PARTIES

(a) Identification of related parties

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

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 and entities having significant influence over the Group.

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 Masahiko Shimbara are directors of SUGI-Japan. All the amounts outstanding are unsecured and expected to be settled in cash.

Shigeru Sugihara is also substantial shareholder of SUGI-Japan.

(b) Significant related party transactions

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Dividend income				
- Machinery & Industrial Supplies Sdn. Bhd.	-	-	-	(2,000)
- Grand Carpet Industries Sdn. Bhd.	-	-	-	(200)
Purchase of goods				
- San Yes Automotive Technology Co. Ltd.	4	25	-	-
- Sugihara Co. Ltd.	1,173	1,011	-	-
Purchase of fixed assets				
- Sugihara Co. Ltd.	460	208	-	-
Royalties payable				
- Sugihara Co. Ltd.	865	620	-	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

24. RELATED PARTIES *cont'd*

(c) Compensation of key management personnel

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Directors:				
- Fees	157	148	157	148
- Remuneration	898	879	21	16
- Contribution to Employees Provident Fund	166	163	-	-
	1,221	1,190	178	164
Other key management personnel:				
- Remuneration	632	683	-	-
- Contribution to Employees Provident Fund	77	69	-	-
	709	752	-	-
	1,930	1,942	178	164

25. CAPITAL COMMITMENTS

(a) Commitments

The Group has made commitment for the following capital expenditure:

	Group	
	2022	2021
	RM'000	RM'000
Plant and machineries	693	1,388

NOTES TO THE FINANCIAL STATEMENTS

cont'd

25. CAPITAL COMMITMENTS *cont'd*

(b) Operating lease commitments – as lessor

In prior financial year, the Group leases several of its properties which have remaining lease term of two years.

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	
	2022	2021
	RM'000	RM'000
Not later than one year	-	149
One to two years	-	112
	-	261

26. 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	AC
	RM'000	RM'000
31 December 2022		
Financial assets		
Group		
Trade and other receivables	30,330	30,330
Cash and short term deposits	25,028	25,028
	55,358	55,358
Company		
Other receivables	5	5
Cash and short term deposits	1,597	1,597
	1,602	1,602

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. 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
31 December 2022		
Financial liabilities		
Group		
Loans and borrowings	3,674	3,674
Trade and other payables	27,066	27,066
	<u>30,740</u>	<u>30,740</u>
Company		
Other payables	8,243	8,243
31 December 2021		
Financial assets		
Group		
Trade and other receivables	29,617	29,617
Cash and short term deposits	13,967	13,967
	<u>43,584</u>	<u>43,584</u>
Company		
Other receivables	3,753	3,753
Cash and short term deposits	2,024	2,024
	<u>5,777</u>	<u>5,777</u>
Financial liabilities		
Group		
Loans and borrowings	13,024	13,024
Trade and other payables	29,425	29,425
	<u>42,449</u>	<u>42,449</u>
Company		
Other payables	210	210

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS *cont'd*

(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.

(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, foreign exchange transactions 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	
	2022 RM'000	2021 RM'000
Automotive parts	26,488	23,633
Machinery parts	1,682	1,115
	28,170	24,748

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. 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

The Group applies the simplified approach to provide for impairment losses prescribed by MFRS 9 *Financial Instruments*, 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.

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

Group	Trade receivables				Total
	Current	> 30 days past due	> 60 days past due	> 90 days past due	
31 December 2022					
Gross carrying amount at default	25,186	1,611	690	1,125	28,612
Impairment losses	-	-	-	(442)	(442)
31 December 2021					
Gross carrying amount at default	22,543	1,524	355	768	25,190
Impairment losses	-	-	-	(442)	(442)

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

	Group	
	2022 RM'000	2021 RM'000
Credit impaired		
At 1 January/31 December	442	442

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(i) Credit risk *cont'd*

Other receivables and other financial assets *cont'd*

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.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

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.

As at the end of reporting date, the Group and the Company consider the other receivables and other financial assets as low credit risk and any loss allowance would be negligible. Refer to Note 3.10(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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	5,064	5,059	1,332	1,064
Charge for the financial year	-	5	-	433
Reversal for the financial year	-	-	(458)	(165)
At 31 December	5,064	5,064	874	1,332

Financial guarantees

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans 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 RM3,674,000 (2021: RM13,024,000) 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

26. 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 finance 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:

<div>← Contractual cash flows →</div>					
	Carrying amounts	On demand or within 1 year	2-5 years	> 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2022					
Group					
Term loan	3,674	584	2,144	1,658	4,386
Trade and other payables	27,066	27,066	-	-	27,066
Lease liabilities	706	412	320	-	732
	31,446	28,062	2,464	1,658	32,184
Company					
Other payables	8,243	8,243	-	-	8,243
Financial guarantees	-	3,674	-	-	3,674

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(ii) Liquidity risk *cont'd*

Maturity analysis *cont'd*

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:
cont'd

	Contractual cash flows				Total RM'000
	Carrying amounts RM'000	On demand or within 1 year RM'000	2-5 years RM'000	> 5 years RM'000	
31 December 2021					
Group					
Term loan	4,102	613	2,249	2,176	5,038
Revolving credit	8,922	8,922	-	-	8,922
Trade and other payables	29,425	29,425	-	-	29,425
Lease liabilities	839	736	140	-	876
	43,288	39,696	2,389	2,176	44,261
Company					
Other payables	210	210	-	-	210
Financial guarantees	-	13,024	-	-	13,024

(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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(iii) Foreign currency risk *cont'd*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period were as follows:

Group	Denominated in					
	USD	JPY	THB	SGD	INR	CNY
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2022						
Trade receivables	50	-	516	-	-	-
Other receivables	600	93	-	-	7	-
Cash and bank balances	1,162	-	467	- *	-	-
Trade payables	(394)	(198)	(1,589)	-	-	(2,876)
Other payables	(40)	(51)	-	-	-	-
Exposure in the statements of financial position	1,378	(156)	(606)	-	7	(2,876)
31 December 2021						
Trade receivables	-	-	475	-	-	-
Other receivables	1,087	-	-	-	-	-
Cash and bank balances	1,443	-	413	-	-	-
Trade payables	(452)	(89)	(1,988)	-	-	(2,823)
Other payables	(183)	-	-	(35)	-	(660)
Exposure in the statements of financial position	1,895	(89)	(1,100)	(35)	-	(3,483)

The Group's principal foreign currency exposure relates mainly to United States Dollar ("USD"), Japanese Yen ("JPY"), Thai Baht ("THB"), Singapore Dollar ("SGD"), Indian Rupee ("INR") and Chinese Yuan ("CNY").

NOTES TO THE FINANCIAL STATEMENTS

cont'd

26. FINANCIAL INSTRUMENTS *cont'd*

(b) Financial risk management *cont'd*

(iii) Foreign currency risk *cont'd*

Foreign currency risk sensitivity analysis

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.

Group	Change in rate	Effect on profit/(loss) for the financial year	
		2022 RM'000	2021 RM'000
USD	+ 10%	105	144
	- 10%	(105)	(144)
THB	+ 10%	(46)	(84)
	- 10%	46	84
CNY	+ 10%	(219)	(265)
	- 10%	219	265

The exposure to currency risk of the Group on JPY, INR and SGD 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

26. 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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit or loss for the financial year.

Group	Change in basis points	Effect on profit/(loss) for the financial year RM'000
31 December 2022	+ 100	(28)
	- 100	28
31 December 2021	+ 100	(99)
	- 100	99

(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 instrument.

The fair values of the other financial liabilities are calculated based on the present value of estimated settlement amounts.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

27. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(a) Disposal of investment properties by Machinery & Industrial Supplies Sdn. Bhd. ("MIS")

On 10 January 2022, MIS had disposed one (1) unit of three storey shop office, for a total consideration of RM750,000.

On 19 July 2022, MIS had disposed one (1) unit of three storey shop office, for a total consideration of RM700,000.

(b) Transfer of PT Zusma Plastic ("PT Zusma")'s ordinary shares from Exsilio Pte. Ltd. ("Exsilio") to MIS

On 31 January 2022, Exsilio transferred 749 of PT Zusma's ordinary shares to MIS, a subsidiary of the Company, at total consideration of USD 1 (equivalent to approximately RM4.19). Consequently, the Company's effective ownership in PT Zusma remained at 100% which has no effect to the financial statement.

(c) Disposal of leasehold industrial land by MIS

On 8 April 2022, MIS had entered into a conditional sale and purchase agreement with Kah Motor Company Sdn Berhad to dispose a parcel of leasehold industrial land identified as Lot 448, Seksyen 92 held under Title No. PN24544, located within the Town and District of Kuala Lumpur, together with a 3-storey office building annexed with a double-storey warehouse and other ancillary building for a total cash consideration of RM19,900,000.

The disposal has been completed on 20 September 2022.

(d) Transfer of Plaspoint Sdn. Bhd. ("Plaspoint")'s ordinary shares from Exsilio to MIS

On 6 October 2022, Exsilio transferred 349,510 of Plaspoint's ordinary shares to MIS, for a total consideration of SGD 1 (equivalent to approximately RM3.24). Consequently, the Company's effective ownership in Plaspoint remained at 99.87% which has no effect to the financial statement.

(e) Acquisition of additional interest in PT Grand Surya Techno ("PT GST") by the Company

On 9 December 2022, the Company had acquired 1,080 ordinary shares in PT GST, at total cash consideration of RM1. Consequently, PT GST became the wholly-owned subsidiary of the Company.

(f) Subscription of shares in PT GST by the Company

On 12 December 2022, the Company had subscribed an additional 1,631,772 ordinary shares in PT GST for a total consideration of USD1,631,772 (equivalent to approximately RM7,205,905). The consideration was settled by way of debt conversion. Consequently, PT GST remained as a wholly-owned subsidiary of the Company.

(g) Subscription of shares in Cendana Eksotik Sdn. Bhd. ("Cendana"), a wholly-owned subsidiary of the Company

On 22 December 2022, the Company had subscribed an additional 1,020,000 ordinary shares in Cendana, for a total cash consideration of RM1,020,000. Consequently, Cendana remained as a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

27. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR *cont'd*

(h) Subscription of shares in SMIS Grand Ventures Sdn. Bhd. ("SGV") by MIS

On 20 December 2022, MIS had subscribed an additional 8,400,000 ordinary shares in SGV, for a total cash consideration of RM8,400,000. Consequently, the Company's effective ownership in SGV remained at 100% which has no effect to the financial statement.

(i) Disposal of 216,589 ordinary shares, representing 5% of the total issued share capital in PT GST by the Company.

On 13 January 2023, the Company had entered into a Shares Sell and Purchase Agreement with Sugihara Co. Ltd. For the disposal of 216,589 ordinary shares, representing 5% of the total issued share capital in PT GST, for a total consideration of USD197,858 (equivalent to approximately RM891,746) ("the Disposal"). Following the Disposal, PT GST became a 95.0%-owned subsidiary of the Company.

The Disposal has been completed on 25 January 2023.

(j) Strike-Off of Exsilio, a wholly-owned subsidiary of the Company

On 1 December 2022, the Company had applied to the Company Registrar of Singapore, Accounting and Corporate Regulatory Authority ("ACRA") for the striking off of Exsilio pursuant to Section 344 of the Singapore Companies Act 1967.

On 22 March 2023, the Company announced that the strike off application has been approved by ACRA. Accordingly, the name of Exsilio has been struck off from the register and cease to be a wholly-owned subsidiary of the Company.

28. 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 2022 and 31 December 2021.

The debt-to-equity ratios were as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans and borrowings	3,674	13,024	-	-
Equity attributable to the owners of the Company	72,673	54,639	62,639	70,942
Debt to equity ratio	5%	24%	-	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

29. SEGMENT INFORMATION

The Group has three 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 and dormants.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

29. SEGMENT INFORMATION *cont'd*

2022	Automotive parts RM'000	Machinery parts RM'000	Others RM'000	Elimination RM'000	Notes	Total RM'000
Revenue						
Revenue from external customers	148,360	6,039	-	-		154,399
Inter-segment revenue	22,784	-	-	(22,784)		-
	171,144	6,039	-	(22,784)	(a)	154,399
Results						
Written off on:						
- inventories	(221)	-	-	-		(221)
- trade receivables	-*	-	-	-		-*
Depreciation for:						
- investment properties	-	(6)	-	-		(6)
- property, plant and equipment	(5,674)	(221)	(16)	-		(5,911)
- right-of-use assets	(822)	(105)	-	(423)		(1,350)
Employment benefit expenses	(24,556)	(1,369)	(178)	-		(26,103)
Gain on disposal of:						
- property, plant and equipment & right-of-use assets	24	17,174	-	-		17,198
- investment properties	-	402	-	-		402
Impairment loss of investment in subsidiaries	-	(4,955)	(6,271)	11,226		-
Inventories written-down	(321)	(1,586)	-	-		(1,907)
Reversal of impairment loss on amount owing from subsidiaries	4,508	- *	463	(4,971)		-
Reversal of inventories written-down	-	2,558	-	-		2,558
Rental income from investment property	-	12	-	-		12
Segment profit	9,492	12,927	(9,042)	9,476	(b)	22,853
Finance income	-	21	-	-		21
Finance costs	(288)	(10)	(304)	-		(602)
Income tax expense	(818)	(1,600)	(156)	(50)		(2,624)
Profit for the financial year	8,386	11,338	(9,502)	9,426	(b)	19,648
Other information						
Segment assets	104,935	22,689	95,604	(103,258)	(c)	119,970
Segment liabilities	(37,458)	(755)	(14,617)	20,502	(c)	(32,328)

* Represented by amount less than RM1,000.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

29. SEGMENT INFORMATION *cont'd*

	Automotive parts RM'000	Machinery parts RM'000	Others RM'000	Elimination RM'000	Notes	Total RM'000
2021						
Revenue						
Revenue from external customers	107,208	5,968	-	-		113,176
Inter-segment revenue	17,744	-	2,200	(19,944)		-
	124,952	5,968	2,200	(19,944)	(a)	113,176
Results						
Written off on:						
- trade receivables	-	-	-*	-		-*
- other receivables	(13)	-	(12)	-		(25)
- amount owing from subsidiaries	-	-	(4)	4		-
Depreciation for:						
- investment properties	-	(15)	-	-		(15)
- property, plant and equipment	(6,674)	(258)	(16)	-		(6,948)
- right-of-use assets	(777)	(20)	-	(413)		(1,210)
Employment benefit expenses	(19,026)	(1,396)	(164)	-		(20,586)
Gain on disposal of property, plant and equipment	3	62	-	-		65
Impairment loss of financial assets	-	(300)	(438)	733		(5)
Impairment loss of investment in subsidiaries	-	-	(299)	299		-
Inventories written-down	(45)	(293)	-	-		(338)
Reversal of inventories written-down	-	331	-	-		331
Rental income from investment property	-	23	-	-		23
Segment (loss)/profit	(389)	(551)	1,107	(1,741)	(b)	(1,574)
Finance income	-	17	1	-		18
Finance costs	(311)	(2)	(415)	-		(728)
Income tax expense	(139)	-	(94)	50		(183)
(Loss)/Profit for the financial year	(839)	(536)	599	(1,691)	(b)	(2,467)
Other information						
Segment assets	96,936	11,088	102,653	(98,566)	(c)	112,111
Segment liabilities	(44,296)	(492)	(21,682)	22,774	(c)	(43,696)

* Represented by amount less than RM1,000.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

29. SEGMENT INFORMATION *cont'd*

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities 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 2022		
Malaysia	124,972	26,384
Indonesia	15,915	13,634
Thailand	13,512	-
	154,399	40,018
31 December 2021		
Malaysia	94,364	31,012
Indonesia	7,527	15,059
Thailand	11,285	-
	113,176	46,071

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	
	2022 RM'000	2021 RM'000
Customer A	38,999	29,868
Customer B	29,273	21,791
Customer D	17,758	13,827
Customer C	15,446	12,342

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 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 2022 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: 27 April 2023

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 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 27 April 2023.

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 2022 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 62 to 131.

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 2022, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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 and 10 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:

- observing year end physical inventory count to examine physical existence and condition of the selected inventories;
- checking subsequent sales and reviewing the Group's assessment on estimated net realisable value on selected inventory items; and
- reviewing whether the inventories have been written-down to their net realisable value for selected inventory items with net realisable value lower than their cost.

INDEPENDENT AUDITORS' REPORT

To the Members Of SMIS Corporation Berhad
cont'd

Key Audit Matters *cont'd*

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

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 concerns, 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.

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.

INDEPENDENT AUDITORS' REPORT

To the Members Of SMIS Corporation Berhad
cont'd

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

- 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.

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 8 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
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Kuala Lumpur

Date: 27 April 2023

Ng Jou Yin
No. 03460/11/2023 J
Chartered Accountant

SHAREHOLDINGS STATISTICS

As at 31 March 2023

Total Number of Issued Shares : 44,800,000 ordinary shares (including 2,637,000 treasury shares)
 Class of Shares : Ordinary Shares
 Voting Rights : One vote per Ordinary Share

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities*	% of Issued Capital*
1 – 99	29	2.613	768	0.002
100 – 1,000	253	22.793	197,300	0.468
1,001 – 10,000	554	49.910	2,733,700	6.484
10,001 – 100,000	237	21.351	7,520,723	17.837
100,001 – 2,108,149	36	3.243	16,030,509	38.020
2,108,150 and above	1	0.090	15,680,000	37.189
Total	1,110	100.00	42,163,000	100.00

Total No of Shareholders/ Depositors : 1,110
 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 31 March 2023.

SHAREHOLDINGS STATISTICS

As at 31 March 2023
cont'd

THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 31 MARCH 2023

	Name of Shareholders/Depositors	No. of Shares	Holding Percentage %*
1	MIYES HOLDINGS SDN BHD	15,680,000	37.19
2	HLB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN</i>	1,643,500	3.90
3	NG WAI KEE	1,490,900	3.54
4	CHOW KUAN FONG	1,483,195	3.52
5	CHEN, MENG-HSIN	1,368,941	3.25
6	YAP SIEW FOONG	1,263,730	3.00
7	KENANGA NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR PHILIP SECURITIES PTE LTD (CLIENT ACCOUNT)</i>	740,000	1.75
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>CHUA ENG HO WA'A @ CHUA ENG WAH</i>	653,300	1.55
9	CHAM WEI WEI	594,700	1.41
10	TAN LAY HARNG	553,200	1.31
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SAK KAM WAH (8082357)</i>	491,000	1.16
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM KONG HWEE (E-KPG/SGK)</i>	466,600	1.11
13	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM KONG HWEE (E-KPG/SGK)</i>	422,500	1.00
14	WIJAYA SYUKUR (M) SDN BHD	394,100	0.93
15	ENG KIM LIAN	380,964	0.90
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TING VIN SOON (E-TSA)</i>	300,000	0.71
17	CARTABAN NOMINEES (ASING) SDN BHD <i>THE BANK OF NEW YORK MELLON FOR ACADIAN EMERGING MARKETS MICRO-CAP EQUITY MASTER FUND</i>	291,900	0.69
18	YAP KAH CHIN	252,500	0.60
19	TAN LAY CHONG	226,500	0.54
20	TAN LAY CHEE	218,900	0.52
21	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KOAY YAN WAH (M)</i>	215,000	0.51
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SII TOH PING (E-PDG)</i>	210,000	0.50
23	TAN JIN TUAN	207,000	0.49
24	MERCSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON</i>	201,700	0.48
25	CHAM BEE SENG @CHIAM BEE SENG	199,989	0.47
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TEE SEE KIM</i>	186,000	0.44
27	JIS SYSTEM (M) SDN BHD	185,000	0.44
28	LIM CHAI GUAN	170,000	0.40
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>KOAY CHENG HOCK</i>	150,900	0.36
30	LIM SIEW LEE	150,000	0.36
	TOTAL	30,792,019	73.03

* Excludes 2,637,000 Ordinary Shares bought back by the Company and held as treasury shares as at 31 March 2023.

SHAREHOLDINGS STATISTICS

As at 31 March 2023
cont'd

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2023

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	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 31 March 2023

⁽¹⁾ deemed interested through MIYES

⁽²⁾ deemed interested through Umberston and MIYES

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2023

Name of Director	Direct Interest		Indirect Interest	
	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	-	-	-	-

* Excludes 2,637,000 Ordinary Shares of bought back by the Company and held as treasury shares as at 31 March 2023.

⁽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 2022 (RM)
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 a single storey detached factory and a double storey frontal office. Office and factory.	Leasehold of 99 years, expiring on June 9, 2086	31	10,310	4,264,440
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	24	2,140	2,882,323
PT Zusma Plastics	Suryacipta City of Industry, Jl. Surya Madya IV Kav 1-28 J, Kutaneegara Village, Ciampel, Karawang, West Java 41361, Indonesia	August 23, 2011	Industrial Land. The land is vacant.	Leasehold of 50 years, expiring June 16, 2048	12	7,012	1,200,531
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	8	3,681	6,769,962
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 50 years, expiring January 8, 2049	6	16,186	10,060,014
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.	Leasehold	6	215	214,561

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fourth (“24th”) Annual General Meeting (“AGM”) of SMIS Corporation Berhad (the “Company”) will be held and conducted on a virtual basis through live streaming from the broadcast venue at Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia (“Broadcast Venue”) via the meeting platform at <https://meeting.boardroomlimited.my> on Monday, 29 May 2023 at 10:00 a.m. for the following purposes:-

AGENDA

As Ordinary Business

- | | |
|--|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Directors’ and Auditors’ Reports thereon. | <i>(Please refer to Note 1 of the Explanatory Notes)</i> |
| 2. To approve the increase of Non-Executive Directors’ Fees to RM157,000.00 in respect of the financial year ended 31 December 2022 and Benefits Payable up to an aggregate amount of RM25,000.00 to the Non-Executive Directors for the period from the 24 th AGM until the next AGM of the Company in year 2024 and payments thereof. | Ordinary Resolution 1
<i>(Please refer to Note 2 of the Explanatory Notes)</i> |
| 3. To re-elect Madam Yap Siew Foong who is retiring under Clause 96 of the Company’s Constitution. | Ordinary Resolution 2
<i>(Please refer to Note 3 of the Explanatory Notes)</i> |
| 4. To re-elect Mr Tan Hock Soon who is retiring under Clause 96 of the Company’s Constitution. | Ordinary Resolution 3
<i>(Please refer to Note 3 of the Explanatory Notes)</i> |
| 5. To re-appoint Baker Tilly Monteiro Heng PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 4
<i>(Please refer to Note 4 of the Explanatory Notes)</i> |

As Special Business

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

- | | |
|---|--|
| 6. Authority for Ms Wern Li Morsingh to continue in office as Independent Non-Executive Director | |
| “THAT authority be and is hereby given to Ms Wern Li Morsingh who has served as an Independent Non-Executive Director of the Company for a cumulative period of more than nine (9) years to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next AGM in accordance with Malaysian Code on Corporate Governance (“MCCG”). ” | Ordinary Resolution 5
<i>(Please refer to Note 5 of the Explanatory Notes)</i> |
| 7. Authority for Mr Oei Kok Eong to continue in office as Independent Non-Executive Director | |
| “THAT authority be and is hereby given to Mr Oei Kok Eong who has served as an Independent Non-Executive Director of the Company since 21 November 2014 and will reach the nine (9) years of service on 20 November 2023, continue to act as Independent Non-Executive Director of the Company until the conclusion of the next AGM in accordance with MCCG. ” | Ordinary Resolution 6
<i>(Please refer to Note 5 of the Explanatory Notes)</i> |

NOTICE OF ANNUAL GENERAL MEETING

cont'd

8. **Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 ("the Act") for the Directors to allot and issue shares**

"**THAT** pursuant to Sections 75 and 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and from time to time until the conclusion of the next AGM upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue.

THAT in connection with the above, pursuant to Section 85 of the Act and Clause 59 of the Constitution of the Company, the shareholders do hereby waive the statutory pre-emptive rights of the offered shares in proportion of their holdings at such price and at such terms to be offered arising from any issuance of new shares above by the Company.

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares."

Ordinary Resolution 7
(Please refer to Note 6 of
the Explanatory Notes)

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

"**THAT**, pursuant to Paragraph 10.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Company and its subsidiaries ("**SMIS Group**") be and are hereby authorised to enter into any of the recurrent transactions of a revenue or trading nature as set out under Section 2.4 of Part A of the Circular to Shareholders dated 28 April 2023 with the related parties mentioned therein which are necessary for the SMIS Group's day-to-day operations, subject further to the following:-

- (i) the transactions are in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- (ii) disclosure of the aggregate value of the transactions of the Proposed Shareholders' Mandate conducted during the financial year will be disclosed in the Annual Report for the said financial year,

THAT such approval will continue to be in force until:-

- (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Shareholders' Mandate is approved, at which time it will lapse, unless by a resolution passed at the Meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act; or
- (iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

NOTICE OF ANNUAL GENERAL MEETING

cont'd

whichever is earlier;

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

Ordinary Resolution 8
(Please refer to Note 7 of the Explanatory Notes)

10. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the total number of issued shares ("Proposed Renewal of Share Buy-Back Mandate")**

"THAT subject to the Act, the Constitution of the Company, the MMLR of Bursa Securities and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits as at 31 December 2022 to purchase such amount of ordinary shares in the Company (**"Proposed Share Buy-Back"**) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company;

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

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either cancel and/or retain the shares so purchased as treasury shares to dealt with such treasury shares in the manner as set out in Section 127(7) of the Act;

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

- (i) the conclusion of the next AGM of the Company [being the Twenty-Fifth ("25th") AGM of the Company], at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the 25th AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

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

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

Ordinary Resolution 9
(Please refer to Note 8 of the Explanatory Notes)

NOTICE OF ANNUAL GENERAL MEETING

cont'd

11. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Act.

BY ORDER OF THE BOARD

TAI YIT CHAN

(SSM PC No. 202008001023)

(MAICSA 7009143)

TAN AI NING

(SSM PC No. 202008000067)

(MAICSA 7015852)

Company Secretaries

Selangor Darul Ehsan

Date: 28 April 2023

NOTES:

1. The 24th AGM of the Company will be held and conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("**RPEV**") facilities. Please follow the procedures set out in the Administrative Guide for the 24th AGM to register, participate and vote (collectively, "**participate**") remotely via the RPEV facilities. The Administrative Guide on the Conduct of a Virtual 24th AGM is available for download at <http://www.smis.com.my/>.
2. The Broadcast Venue of the 24th AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the meeting to be present at the main venue of the meeting and in accordance with Clause 64 of the Company's Constitution which allows a meeting of members to be held at more than one venue, using any technology or method that enables the members of the Company to participate and exercise their right to participate and vote at the general meeting. The Broadcast Venue of the 24th AGM is to inform members where the electronic 24th AGM production and streaming would be conducted from.
3. Members/proxies/corporate representatives **WILL NOT BE ALLOWED** to be physically present nor will they be admitted at the Broadcast Venue on the day of the 24th AGM. Therefore, members are strongly advised to participate and vote remotely at the 24th AGM through live streaming and online remote voting using the RPEV facilities provided by the Company's poll administrator, namely Boardroom Share Registrars Sdn. Bhd.
4. In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at **19 May 2023** shall be eligible to participate in the AGM or appoint proxy(ies) to participate and vote on his/her behalf.
5. A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991) entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to participate and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
6. Where a member appoints two (2) proxies, the appointments shall be invalid unless he (she) specifies the proportion of his (her) holdings to be represented by each proxy.
7. Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
8. The Proxy Form shall be signed by the appointer of his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its Common Seal or by its duly authorised attorney or officer.
9. The instrument appointing a proxy by a member who is entitled to participate at the 24th AGM, shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

10. The appointment of proxy may be made in a hard copy form or by electronic means, not less than forty-eight (48) hours before the time for holding the 24th AGM or at any adjournment thereof, as follows:-
- (i) **In hard copy form**
The original instrument appointing a proxy ("**Proxy Form**") must be deposited at the Company's Share Registrar's Office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
- (ii) **By electronic means**
The Proxy Form can also be lodged electronically with the Share Registrar of the Company through Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> or email to bsr.helpdesk@boardroomlimited.com. Please follow the procedures provided in the Administrative Guide for the 24th AGM in order to deposit the Proxy Form electronically.
11. If you have submitted your Proxy Form(s) and subsequently decide to appoint another person or wish to participate in our electronic 24th AGM by yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy forty-eight (48) hours before this meeting.
12. Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of 24th AGM will be put to vote by way of poll.

EXPLANATORY NOTES:

1. To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.

2. Ordinary Resolution No. 1 – Directors' Fees and Benefits Payable

Following market research on the Directors' Fee and the increasing fiduciary duties and time commitment of the Directors, the Remuneration Committee ("RC") had proposed to increase the Directors' Fee from RM148,400.00 to RM157,000.00 for the financial year ended 31 December 2022. Based on the recommendation from the RC, the Board approved the following proposed revised Directors' Fee for the financial year ended 31 December 2022 to be tabled to the shareholders for approval at the forthcoming AGM of the Company:

Name	Designation	Proposed Directors' Fees (RM)
Ms Wern Li Morsingh	Independent Non-Executive Director	48,000
Mr Oei Kok Eong	Independent Non-Executive Director	48,500
Mr Tan Hock Soon	Independent Non-Executive Director	60,500
Total		157,000

The amount of Directors' fees payable includes fees payable to Directors as members of Board and Board Committees. Other than the Directors' Fees from the Company, the Non-Executive Directors do not receive any Directors' Fees from any of the subsidiaries within the SMIS Group.

The amount of Directors' benefits payable comprises meeting allowances from this AGM until the conclusion of the next AGM of the Company in year 2024 pursuant to the Act which shareholders' approval will be sought at this 24th AGM in accordance with Section 230(1) of the Act. In determining the estimated total amount of the Directors' benefits, the Board has considered the number of scheduled and special meetings (if any) for the Board and Board Committees as well as the number of Non-Executive Directors involved in the meetings. Other than the benefits payable from the Company, the Non-Executive Directors do not receive any benefits payable from any of the subsidiaries within the SMIS Group.

In the event that the proposed Directors' Fees and Benefits Payable during the above period exceed the estimated amount sought at the 24th AGM, approval will be sought at the next AGM for additional Directors' Fees and Benefits Payable to meet the shortfall, prior to the payment being made.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

3. Ordinary Resolutions No. 2 and No. 3 – Re-election of Directors

For the purpose of determining the eligibility of the Directors to stand for re-election at the 24th AGM of the Company, the Board through its Nomination Committee (“**NC**”) undertakes a formal evaluation to determine the eligibility of each retiring Director in line with the MCGG and MMLR of Bursa Securities, which includes the following:-

- (i) Performance and effectiveness of the Board as a whole, Board Committees and individual Directors; and
- (ii) Fit and proper assessment.

The NC and the Board are satisfied with the performance and effectiveness of Madam Yap Siew Foong and Mr Tan Hock Soon who are due for retirement as Directors, and being eligible, have offered themselves for re-election at the 24th AGM.

The two (2) retiring Directors have abstained from deliberations and decision on their own eligibility and suitability to stand for re-election at the relevant Nomination Committee and Board meetings. The profiles of the Directors who are standing for re-election under Ordinary Resolutions 2 and 3 are set out in the Board of Directors’ profile of the Annual Report 2022.

4. Ordinary Resolution No. 4 – Re-appointment of Auditors

Messrs. Baker Tilly Monteiro Heng PLT, the auditors of the Company have expressed their willingness to continue in office as auditors of the Company for the financial year ending 31 December 2023. The Board has approved the Audit and Risk Committee’s recommendation that they be retained after taking into account relevant feedback on their experience, performance and independence following a formal assessment.

5. Ordinary Resolutions No. 5 and No. 6 – Authority for Ms Wern Li Morsingh and Mr Oei Kok Eong to continue in office as Independent Non-Executive Directors

Proposed Ordinary Resolutions 5 and 6, if passed, will allow Ms Wern Li Morsingh (“**Ms Wern Li**”) and Mr Oei Kok Eong (“**Mr Oei**”) to continue to serve as Independent Directors of the Company until the conclusion of the next AGM of the Company.

Ms Wern Li was appointed as an Independent Non-Executive Director of the Company on 28 November 2012 and has served for a cumulative term of more than nine (9) years prescribed by the MCGG. Mr Oei was appointed as an Independent Non-Executive Director of the Company on 21 November 2014 and will reach the nine (9) years of service on 20 November 2023. In accordance with the MCGG, the NC and the Board, after having assessed the independence of Ms Wern Li and Mr Oei, consider them to be independent based on amongst others, the following justifications and recommend that Ms Wern Li and Mr Oei be retained as Independent Directors of the Company:

- (a) They have fulfilled the criteria under the definition on Independent Director as stated in the MMLR of Bursa Securities as well as the prescribed criteria under the MCGG, and therefore is able to bring independent and objective judgement to the Board;
- (b) Their experience in the legal and automotive industries enables them to provide the Board with a diverse set of experience, expertise, skills and competence;
- (c) They actively participate in Board’s and Board Committees’ deliberations and decision making in an objective manner, exercise due care in all undertakings of the SMIS Group and carried out their fiduciary duties in the interest of the Company;
- (d) They do not have any conflict of interest with the Company and have not been entering/are not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies; and
- (e) The Board is of the opinion that they are an important Independent Non-Executive Director in view of many years on the Board with incumbent knowledge of the Company and the SMIS Group’s activities and corporate history and have provided invaluable contributions to the Board in their role as an Independent Non-Executive Director.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

6. **Ordinary Resolution No. 7 – Proposed Renewal of Authority under Sections 75 and 76 of the Act for the Directors to allot and issue shares**

The Company had, during its 23rd AGM held on 30 June 2022, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained and this mandate will lapse at the conclusion of the 24th AGM.

Ordinary Resolution 7 proposed under item 8 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company ("**General Mandate**"). This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding investment project(s), working capital and/or acquisitions.

The waiver of pre-emptive rights pursuant to Section 85 of the Act and Clause 59 of the Constitution will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares in the Company under the General Mandate.

If there should be a decision to issue new shares after the General Mandate is obtained, the Company will make an announcement in respect thereof.

7. **Ordinary Resolution No. 8 - Proposed Shareholders' Mandate**

Ordinary Resolution 8 proposed under item 9 of the Agenda, if passed, will allow the SMIS Group to enter into RRPTs in accordance with Paragraph 10.09 of the MMLR of Bursa Securities and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the SMIS Group or affecting the business opportunities available to the SMIS Group. The Proposed Shareholders' Mandate is subject to renewal on an annual basis.

Further information on the Proposed Shareholders' Mandate is set out in the Circular of the Proposed Shareholders' Mandate of the Company dated 28 April 2023.

8. **Ordinary Resolution No. 9 - Proposed Renewal of Share Buy-Back Mandate**

The proposed Ordinary Resolution 9 proposed under item 10 of the Agenda, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of Shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. The authority will, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the 24th AGM is required by law to be held.

Further information on the Proposed Renewal of Share Buy-Back is set out in the Share Buy Back Statement of the Company dated 28 April 2023.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to participate and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADMINISTRATIVE GUIDE OF TWENTY-FOURTH ANNUAL GENERAL MEETING



SMIS CORPORATION BERHAD

[Registration No. 199901016957 (491857-V)]
(Incorporated in Malaysia)

ADMINISTRATIVE GUIDE OF TWENTY-FOURTH ANNUAL GENERAL MEETING ("24th AGM") FOR THE SHAREHOLDERS OF SMIS CORPORATION BERHAD

Meeting Date	: Monday, 29 May 2023
Time	: 10.00 a.m.
Meeting Platform	: https://meeting.boardroomlimited.my
Broadcast Venue	: 12 th Floor, Menara Symphony No. 5, Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Malaysia
Mode of Communication	: 1) Submit questions to the Board of Directors (" Board ") prior to the 24 th AGM by emailing to corporate@smis.com.my no later than 5.00 p.m., Monday, 22 May 2023. 2) Post questions to the Board via real time submission of typed text at https://meeting.boardroomlimited.my during live streaming of 24 th AGM.

Dear Valued Shareholders,

The Company will conduct its forthcoming 24th AGM on a virtual basis via remote participation and electronic voting ("**RPEV**") facilities (collectively referred hereinafter as "**Virtual AGM**") in accordance with Section 327 of the Companies Act 2016 ("**the Act**") and Clause 64 of the Constitution of the Company.

In line with the Malaysian Code on Corporate Governance Practice 13.3, conducting a Virtual AGM would promote greater shareholder participation as it facilitates electronic voting and remote shareholders' participation. With the RPEV facilities, you may exercise your right as a member of the Company to participate (including to pose questions to the Board of Directors and/or Management of the Company) and vote at the 24th AGM. Alternatively, you may also appoint the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 24th AGM.

Kindly ensure that you are connected to the internet at all times in order to participate and vote when our virtual 24th AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

BROADCAST VENUE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires that the Chairman of the meeting to be present at the main venue.

Shareholders/proxies/corporate representatives **WILL NOT BE ALLOWED to be physically present** nor will they be admitted at the Broadcast Venue on the day of the 24th AGM. Shareholders/proxies/corporate representatives who turn up at the Broadcast Venue would be requested to leave the venue politely.

ADMINISTRATIVE GUIDE OF TWENTY-FOURTH ANNUAL GENERAL MEETING

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DIGITAL COPIES OF AGM DOCUMENTS

1. As part of our dedicated commitment to sustainable practices, the following documents can be downloaded from Bursa Malaysia Securities Berhad's website at <http://www.bursamalaysia.com> OR SMIS Corporation Berhad's website at <http://www.smis.com.my/news.php> OR scan the QR code below:

- a. Notice of 24th AGM and Proxy Form;
- b. Annual Report 2022;
- c. Circular/Statement to Shareholders on Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the total number of issued shares ("**Circular/Statement to Shareholders**"); and
- d. Corporate Governance Report 2022.



- i) Use the QR Code Reader on your Android or iOS smartphone.

If your smartphone is not installed with a QR Code Reader, you can download from the Google Play/iOS Store.

- ii) Scan the code using your smartphone. This will take you to the relevant page on our website and you may download the latest PDF file(s) shown on the webpage.

2. If you need a copy of the printed Annual Report 2022, kindly complete the Requisition Form and send by post or email to us or our Company Share Registrar, Boardroom Share Registrars Sdn. Bhd. at bsr.helpdesk@boardroomlimited.com. Alternatively, you may navigate to the website of our Share Registrar to request for a printed copy of the Annual Report 2022 as follows:-

Step 1 : Log in to <https://investor.boardroomlimited.com>.

Step 2 : At left-menu, click on <<**Investor Services**>> and <<**Request For Annual Report and Circular**>>.

Step 3 : Please select the company name or Bursa stock code before completing the online request form.

Step 4 : Please click <<**Submit**>> button to send your request.

3. Any request for the printed Annual Report 2022 would be forwarded to the requestor within four (4) market days from the date of receipt of the written request.

NO VOUCHERS/DOOR GIFTS

There will be **NO VOUCHER(S) OR ANY DOOR GIFT(S)** for shareholders/proxies who participate in the AGM.

ENTITLEMENTS TO PARTICIPATE AND VOTE

Only a depositor whose name appears in the Record of Depositors as at **19 May 2023** is entitled to participate and/or vote at the said meeting or appoint proxies to participate and vote on his/her behalf in respect of the number of shares registered in his/her name at that time.

ADMINISTRATIVE GUIDE OF TWENTY-FOURTH ANNUAL GENERAL MEETING

cont'd

FORM(S) OF PROXY

1. Shareholders are encouraged to go online, participate and vote at the 24th AGM using the RPEV facilities. If you wish to personally participate in this 24th AGM, please do not appoint any proxy/ies. You will not be allowed to participate in the meeting together with a proxy appointed by you.
2. If a shareholder is unable to attend the 24th AGM on Monday, 29 May 2023, he/she can appoint the Chairman of the meeting or a proxy to participate and vote in his/her stead. Please submit your Proxy Form to the Share Registrar's Office of the Company, Boardroom Share Registrar Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan latest by **Saturday, 27 May 2023 at 10.00 a.m.**
3. You may also submit the Proxy Form via electronic means ("**e-Proxy**") through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> by logging in and selecting "**Submit eProxy Form**" or email to bsr.helpdesk@boardroomlimited.com no later than the aforementioned date and time. For further information, kindly refer to the "Online Registration Procedure" below.

REVOCATION OF PROXY

If you have submitted your Proxy Form and subsequently decide to appoint another person or wish to participate in our electronic 24th AGM by yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy forty-eight (48) hours before the 24th AGM. On revocation, your proxy(ies) will not be allowed to participate in the 24th AGM. In such event, you should advise your proxy(ies) accordingly.

CORPORATE MEMBER

Any corporate member who wishes to appoint a representative instead of a proxy to attend the meeting should submit the original certificate of appointment under the seal of the corporation to the office of the Share Registrar at any time before the time appointed for holding the meeting.

VOTING PROCEDURE

1. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the 24th AGM will be conducted by poll. The Company has appointed Boardroom Share Registrars Sdn. Bhd. as Poll Administrator to conduct the poll by way of electronic voting ("**e-voting**") and Sky Corporate Services Sdn. Bhd. as Independent Scrutineer to verify and validate the poll results.
2. During the 24th AGM, the Chairman of the meeting will invite the Poll Administrator to brief on the e-voting housekeeping rules. The e-voting session will commence as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of the poll.
3. Members and proxies are required to use the following methods to vote remotely:-
 - a. Launch Lumi AGM by scanning the QR code given to you in the email along with your remote participation User ID and Password; or
 - b. Access Lumi AGM via the website URL <https://meeting.boardroomlimited.my>.

For the purpose of this AGM, e-voting can be carried out by using either personal smart mobile phones, tablets, personal computers or laptops.

4. Upon the conclusion of the e-voting session, the Independent Scrutineer will verify the poll results followed by the declaration by the Chairman of the meeting whether the resolutions put to vote were successfully carried or otherwise.

ADMINISTRATIVE GUIDE OF TWENTY-FOURTH ANNUAL GENERAL MEETING

cont'd

ONLINE REGISTRATION PROCEDURES

- All shareholders including (i) individual shareholders; (ii) corporate shareholders; (iii) authorised nominees; and (iv) exempt authorised nominees shall use the RPEV facilities to participate and vote remotely at the 24th AGM. You will be able to view a live webcast of the meeting, ask questions and submit your votes in real time whilst the meeting is in progress.
- Kindly follow the steps below to request for your login ID and password and usage of the RPEV facilities:-

Before the day of the AGM		
Procedure	Action	
1. Register Online with Boardroom Smart Investor Portal (for first time registration only)	<p><i>[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2 - Submit your request for remote participation]</i></p> <ol style="list-style-type: none"> Access website https://investor.boardroomlimited.com Click <<Register>> to sign up as a user. Please select the correct account type, i.e. sign up as “Shareholder” or “Corporate Holder”. Complete the registration and upload a softcopy of your MyKAD (for Malaysian) front and back or Passport (for non-Malaysian) in JPEG, PNG or PDF Format. For Corporate Holder, kindly upload the authorisation letter and click <<Sign Up>>. You will receive an email from Boardroom for email address verification. Click <<Verify Email Address>> from the email received to continue with the registration. Once your email address is verified, you will be re-directed to Boardroom Smart Investor Portal for verification of mobile number. Click <<Request OTP Code>> and an OTP code will be sent to the registered mobile number. You will need to enter the OTP Code and click <<Enter>> to complete the process. Your registration will be verified and approved within one (1) business day and an email notification will be provided to you. 	
2. Submit request for remote participation (User ID and Password)	<p>Registration for remote access will be opened on Friday, 28 April 2023. Please note that the closing time to submit your request is not less than forty-eight (48) hours before the time of holding the 24th AGM, i.e. latest by Saturday, 27 May 2023 at 10.00 a.m.</p> <p>Individual Members</p> <ol style="list-style-type: none"> Log in to https://investor.boardroomlimited.com using your user ID and password from Step 1. above. Select <<SMIS CORPORATION BERHAD 24TH ANNUAL GENERAL MEETING>> from the list of Corporate Meetings and click <<Enter>> Click on <<Register for RPEV>>. Enter your CDS Account Number. Read and accept the General Terms and Conditions and clicking <<Register>>. 	




ADMINISTRATIVE GUIDE OF TWENTY-FOURTH ANNUAL GENERAL MEETING

cont'd

Before the day of the AGM		
Procedure	Action	
2. Submit request for remote participation (User ID and Password) cont'd	<p>Appointment of Proxy – Individual Members</p> <ol style="list-style-type: none"> Log in to https://investor.boardroomlimited.com using your user ID and password from Step 1. above. Select <<SMIS CORPORATION BERHAD 24TH ANNUAL GENERAL MEETING>> from the list of Corporate Meetings and click <<Enter>>. Click on <<Submit eProxy Form>>. Read and accept the General Terms and Conditions by clicking <<Next>>. Enter your CDS Account Number and number of securities held. Select your proxy – either the Chairman of the meeting or individual named proxy(ies) and enter the required particulars of your proxy(ies). Indicate your voting instructions – “FOR” or “AGAINST” or “ABSTAIN”. If you wish to have your proxy(ies) to act upon his/her discretion, please indicate “DISCRETIONARY”. Review and confirm your proxy appointment. Click <<Apply>>. Download or print the eProxy form as acknowledgement. <p>Corporate Shareholders (via email)</p> <ol style="list-style-type: none"> To submit the request, Corporate Shareholders need to deposit the original hardcopy to Boardroom and write in to bsr.helpdesk@boardroomlimited.com by providing the name of shareholder, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy (as the case maybe) to submit the request. Please provide a copy of corporate representative's MyKad/Identification Card (front and back) or Passport in JPEG, PNG or PDF format as well as his/her email address. <p>Authorised Nominee and Exempt Authorised Nominee</p> <p>Via Boardroom Smart Investor Portal</p> <ol style="list-style-type: none"> Login to https://investor.boardroomlimited.com using your user ID and password from Step 1 above. Select << SMIS CORPORATION BERHAD 24TH ANNUAL GENERAL MEETING >> from the list of Corporate Meetings and click <<Enter>>. Click on <<Submit eProxy Form>>. Select the company you would like to represent (if more than one). Proceed to download the file format for “Submission of Proxy Form” from Boardroom Smart Investor Portal. Prepare the file for the appointment of proxies by inserting the required data. Proceed to upload the duly completed proxy appointment file. Review and confirm your proxy appointment and click <<Submit>>. Download or print the eProxy form as acknowledgement. <p><i>Note: if you wish to appoint more than one (1) company, kindly click the home button and select <<Edit Profile>> in order to add company name.</i></p> <p>Via email</p> <ol style="list-style-type: none"> To submit the request, Authorised Nominee and Exempt Authorised Nominee need to deposit the original hardcopy Form of Proxy to Boardroom and write in to bsr.helpdesk@boardroomlimited.com by providing softcopy of the Form(s) of Proxy, the name of shareholders and CDS Account Number. Please provide a copy of the proxy holder's MyKad (front and back) or Passport in JPEG, PNG or PDF format as well as his/her email address. 	

ADMINISTRATIVE GUIDE OF TWENTY-FOURTH ANNUAL GENERAL MEETING

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Before the day of the AGM		
Procedure		Action
3.	Email notification	<p>a. You will receive notification(s) from Boardroom that your request(s) has been received and is/are being verified.</p> <p>b. After verification of your registration against the General Meeting Record of Depositors as at 19 May 2023, you will receive an email from Boardroom either approving or rejecting your registration for remote participation after Saturday, 27 May 2023.</p> <p>c. If your registration is approved, you will also receive your remote access user ID and password in the same email from Boardroom after the closing date.</p> <p>d. Please note that the closing date and time to submit your request for remote participation User ID and Password is on Saturday, 27 May 2023 at 10.00 a.m. (48 hours before the commencement of the 24th AGM).</p>
On the day of the AGM		
Procedure		Action
4.	Login to Virtual Meeting Platform	<p>a. The Virtual Meeting Portal will be opened for login one (1) hour before the commencement of the 24th AGM at 9.00 a.m. on Monday, 29 May 2023, which can be accessed via one of the following methods:</p> <ul style="list-style-type: none">➤ Launch Lumi AGM by scanning the QR Code provided in the email notification; or➤ Access the Lumi AGM webportal via the website at https://meeting.boardroomlimited.my; <p>b. Insert the Meeting ID number and sign in with the user ID and password provided to you via the email notification in Step 3. above.</p>
5.	Participate through Live Streaming	<p><i>[Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition.]</i></p> <p>a. If you would like to view the live webcast, select the broadcast icon. </p> <p>b. If you would like to ask a question during the 24th AGM, select the messaging icon. </p> <p>c. Type your message within the chat box, once completed click the send button.</p>
6.	Online Remote Voting	<p>a. Once the meeting is opened for voting, the polling icon  will appear with the resolutions and your voting choices.</p> <p>b. To vote, select your voting direction from the options provided. A confirmation message will appear to show your vote has been received.</p> <p>c. To change your vote, simply select another voting direction.</p> <p>d. If you wish to cancel your vote, please press “Cancel”.</p>
7.	End of Remote Participation	<p>a. Upon the announcement by the Chairman on the closure of the 24th AGM, the live streaming will end.</p> <p>b. You can then logout from the virtual meeting platform.</p>

ADMINISTRATIVE GUIDE OF TWENTY-FOURTH ANNUAL GENERAL MEETING

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PRE-MEETING SUBMISSION OF QUESTIONS

In order to enhance the efficiency of the proceedings of the 24th AGM, the shareholders may submit questions to the Company via e-mail to corporate@smis.com.my **not later than Monday, 22 May 2023 at 5:00 p.m.** or select the messaging icon in Boardroom Smart Investor Portal to transmit questions via RPEV facilities during live streaming of the 24th AGM. If time permits, the Chairman and the Board of Directors will endeavour their best to respond to the questions submitted by the shareholders which are related to the resolutions to be tabled at the 24th AGM. The shareholders are encouraged to submit questions before the 24th AGM as priority will be given to questions submitted before the 24th AGM.

RECORDING OR PHOTOGRAPHY AT THE 24TH AGM

Strictly no recording or photography of the 24th AGM proceedings is allowed.

ENQUIRY

If you have general queries prior to the meeting, please contact the following person during office hours from Mondays to Fridays, 8.30 a.m. to 5.30 p.m. (except on public holidays):-

Boardroom Share Registrars Sdn. Bhd. [Registration No. 199601006647 (378993-D)]

Address	11 th Floor, Menara Symphony No. 5 Jalan Prof. Khoo Kay Kim Seksyen 13, 46200 Petaling Jaya Selangor Darul Ehsan, Malaysia
General Line	+603-7890 4700
Fax Number	+603-7890 4670
Email	bsr.helpdesk@boardroomlimited.com

SMIS Corporation Berhad [Registration No. 199901016957 (491857-V)]

General Line	+603-5569 1218
Fax Number	+603-5569 1150
Email	corporate@smis.com.my

PERSONAL DATA POLICY

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.



SMIS CORPORATION BERHAD
[Registration No. 199901016957 (491857-V)]
(Incorporated in Malaysia)

Number of shares held	CDS Account No.

PROXY FORM

I/We, _____ NRIC/Passport/Company No. _____
(NAME IN FULL AND IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

and Telephone no./Email address _____ being a member/members of **SMIS CORPORATION BERHAD**

("Company"), hereby appoint _____ NRIC/Passport No. _____
(NAME IN FULL AND IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

and Telephone no./Email address _____ and/or failing him/her, _____
(NAME IN FULL AND IN BLOCK LETTERS)

NRIC/Passport No. _____ of _____
(FULL ADDRESS)

_____ (FULL ADDRESS)

and Telephone no./Email address _____ or failing him/her, *THE CHAIRMAN OF THE MEETING as my/our proxy/proxies to vote for me/us and on my/our behalf at the Twenty-Fourth ("24th") Annual General Meeting ("AGM") of the Company, to be held and conducted on a virtual through live streaming from the broadcast venue at Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia ("Broadcast Venue") via the meeting platform at <https://meeting.boardroomlimited.my/> on **Monday, 29 May 2023 at 10:00 a.m.** and at any adjournment thereof, on the following resolutions referred to in the Notice of the 24th AGM.

* Please delete the words "THE CHAIRMAN OF THE MEETING" if you wish to appoint some other person to be your proxy.

My/our proxy is to vote as indicated below:

No.	Resolution	For	Against
Ordinary Resolution 1	Approval of the payment of Non-Executive Directors' Fees for the financial year ended 31 December 2022 and Benefits Payable to the Non-Executive Directors for the period from the 24 th AGM until the next AGM of the Company in year 2024		
Ordinary Resolution 2	Re-election of Madam Yap Siew Foong as Director (Clause 96 of the Company's Constitution)		
Ordinary Resolution 3	Re-election of Mr Tan Hock Soon as Director (Clause 96 of the Company's Constitution)		
Ordinary Resolution 4	Re-appointment of Baker Tilly Monteiro Heng PLT as Auditors of the Company		
Ordinary Resolution 5	Authority for Ms Wern Li Morsingh to continue in office as Independent Non-Executive Director		
Ordinary Resolution 6	Authority for Mr Oei Kok Eong to continue in office as Independent Non-Executive Director		
Ordinary Resolution 7	Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 ("the Act") for the Directors to allot and issue shares		
Ordinary Resolution 8	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 9	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the total number of issued shares		

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

Signed this _____ day of _____ 2023

The proportions of my/our holding to be represented by my/our proxies are as follows:

1 st proxy	%
2 nd proxy	%
TOTAL	<u>100</u> %

Signature of Member(s)^

^ Manner of execution:-

- If you are an individual member, please sign where indicated.
- If you are a corporate member which has a common seal, this Form of Proxy should be executed under seal in accordance with the Constitution of your corporation.
- If you are a corporate member which does not have a common seal, this Form of Proxy should be affixed with the rubber stamp of your corporation (if any) and executed by:-
 - at least two (2) authorised officers, of whom one shall be a director; or
 - any Director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Fold This Flap For Sealing

NOTES:

1. The 24th AGM of the Company will be held and conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facilities. Please follow the procedures set out in the Administrative Guide for the 24th AGM to register, participate and vote (collectively, "**participate**") remotely via the RPEV facilities. The Administrative Guide on the Conduct of a Virtual 24th AGM is available for download at <http://www.smis.com.my/>.
2. The Broadcast Venue of the 24th AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the meeting to be present at the main venue of the meeting and in accordance with Clause 64 of the Company's Constitution which allows a meeting of members to be held at more than one venue, using any technology or method that enables the members of the Company to participate and exercise their right to participate and vote at the general meeting. The Broadcast Venue of the 24th AGM is to inform members where the electronic 24th AGM production and streaming would be conducted from.
3. Members/proxies/corporate representatives **WILL NOT BE ALLOWED** to be physically present nor will they be admitted at the Broadcast Venue on the day of the 24th AGM. Therefore, members are strongly advised to participate and vote remotely at the 24th AGM through live streaming and online remote voting using the RPEV facilities provided by the Company's poll administrator, namely Boardroom Share Registrars Sdn. Bhd.
4. In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at **19 May 2023** shall be eligible to participate in the AGM or appoint proxy(ies) to participate and vote on his/her behalf.
5. A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991) entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to participate and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
6. Where a member appoints two (2) proxies, the appointments shall be invalid unless he (she) specifies the proportion of his (her) holdings to be represented by each proxy.
7. Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
8. The Proxy Form shall be signed by the appointer of his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its Common Seal or by its duly authorised attorney or officer.

Then Fold Here

AFFIX
STAMP

BOARDROOM SHARE REGISTRARS SDN. BHD.

[Registration No. 199601006647 (378993-D)]

11TH FLOOR, MENARA SYMPHONY
NO. 5, JALAN PROF. KHOO KAY KIM
SEKSYEN 13
46200 PETALING JAYA
SELANGOR DARUL EHSAN
MALAYSIA

1st Fold Here

9. The instrument appointing a proxy by a member who is entitled to participate at the 24th AGM, shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
10. The appointment of proxy may be made in a hard copy form or by electronic means, not less than forty-eight (48) hours before the time for holding the 24th AGM or at any adjournment thereof, as follows:-
 - (i) **In hard copy form**
The original instrument appointing a proxy ("**Proxy Form**") must be deposited at the Company's Share Registrar's Office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
 - (ii) **By electronic means**
The Proxy Form can also be lodged electronically with the Share Registrar of the Company through Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> or email to bsr.helpdesk@boardroomlimited.com. Please follow the procedures provided in the Administrative Guide for the 24th AGM in order to deposit the Proxy Form electronically.
11. If you have submitted your Proxy Form(s) and subsequently decide to appoint another person or wish to participate in our electronic 24th AGM by yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy forty-eight (48) hours before this meeting.
12. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of 24th AGM will be put to vote by way of poll.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms pursuant to Personal Data Protection Act, 2010.

Lot 3, Jalan Pemaju U1/15, Seksyen U1, Hicom Glenmarie Industrial Park,
40150 Shah Alam, Selangor Darul Ehsan, Malaysia

T | 03 5569 1218

F | 03 5569 1150