SMIS Corporation Berhad
(491857-V)

ANNUAL REPORT 2011

CONTENTS

Group Structure

SMIS Corporation Berhad
(491857-V)

- 100% GRAND CARPET INDUSTRIES SDN. BHD.
- 100% SANYCO GRAND INDUSTRIES SDN. BHD.
- 60% SUGIHARA GRAND INDUSTRIES SDN. BHD.
- 100% MACHINERY & INDUSTRIAL SUPPLIES SDN. BHD.
- 66.25% CLEON TECHNOLOGY SDN. BHD.
- 96.67% EXSILIO PTE. LTD.
  - 100% PT ZUSMA PLASTICS
  - 95.5% PLASPOINT SDN. BHD. (formerly known as All Century Streams Sdn. Bhd.)

Corporate Information

BOARD OF DIRECTORS

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

Mohd Riani bin Osman
(Executive Director)

Ng Wai Kee
(Executive Director)

Yap Siew Foong
(Executive Director)

Cham Bee Sim
(Executive Director)

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

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

Foo Lee Khean
(Independent Non-Executive Director)

AUDIT COMMITTEE

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

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

Foo Lee Khean
(Independent Non-Executive Director)

NOMINATION COMMITTEE

Danny Ng Siew L'Leong
(Chairman)

Pauline Teh @ Pauline Teh Abdullah

Mohamed Ghazali bin Kamal Baharein

REMUNERATION COMMITTEE

Mohamed Ghazali bin Kamal Baharein
(Chairman)

Danny Ng Siew L'Leong

Pauline Teh @ Pauline Teh Abdullah

Ng Wai Kee

BUSINESS ADDRESS

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

COMPANY SECRETARIES

Liew Irene (MAICSA 7022609)

Choong Lee Wah (MAICSA 7019418)

REGISTERED OFFICE

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

AUDITORS

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

PRINCIPAL BANKERS

Hong Leong Bank Berhad (97141-X)
Wisma Cyclecarri,
288, Jalan Raja Laut, 50350 Kuala Lumpur,
Wilayah Persekutuan.

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

HSBC Bank Malaysia Berhad (127776-V)
2, Leboh Ampang, 50100 Kuala Lumpur,
Wilayah Persekutuan.

REGISTRARS

Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower,
8 First Avenue, Bandar Utama,
47800 Petaling Jaya,
Selangor Darul Ehsan.
Tel: 03-7720 1188 **Fax:** 03-7720 1111

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)

WEBSITE

http://www.smis.com.my

Summary of Financial Highlights

as at 31 December 2011

In thousands of RM	2007	2008	2009	2010	2011
Revenue	70,818	81,257	67,803	97,487	110,009
Profit before tax	(93)	3,390	3,823	9,858	2,815
Profit for the year	(366)	2,274	3,230	8,472	132
Profit attributable to owners	(898)	785	4,605	6,113	(490)
Total equity attributable to owners	63,469	63,819	67,713	73,882	72,218
Total assets	81,741	83,101	85,675	96,699	100,263
Total liabilities	(18,272)	(19,282)	(17,703)	(20,199)	(24,046)
Total borrowings	-	-	-	-	(2,990)
Growth rate over previous years	**2007**	**2008**	**2009**	**2010**	**2011**
Revenue	(8.2%)	14.7%	(16.6%)	43.8%	12.8%
Profit before tax	(114.2%)	(3745.2%)	12.8%	157.9%	(71.4%)
Profit for the year	(24.1%)	(721.3%)	42.0%	162.3%	(98.4%)
Total equity attributable to owners	(1.9%)	0.6%	6.1%	9.1%	(2.3%)
Total assets	5.3%	1.7%	3.1%	12.9%	3.7%
Total liabilities	41.2%	5.5%	(8.2%)	14.1%	19.0%
Total borrowings	* n/a	* n/a	* n/a	* n/a	* n/a
Share information	**2007**	**2008**	**2009**	**2010**	**2011**
Basic earnings per share (sen)	(2.04)	1.82	10.81	14.44	(1.16)
Net assets per share (RM)	1.42	1.42	1.51	1.65	1.61
Financial ratio	**2007**	**2008**	**2009**	**2010**	**2011**
Return on equity attributable to owners	(0.58%)	3.56%	4.77%	11.47%	0.18%
Return on total assets	(0.45%)	2.74%	3.77%	8.76%	0.13%
Debt equity ratio	* n/a	* n/a	* n/a	* n/a	0.04

Remark :

* n/a = not applicable

DIRECTORS' PROFILE

Directors' Profile

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

Mohamed Ghazali bin Kamal Baharein, a Malaysian, aged 66, was appointed to the Board of Directors of SMIS on 2 February 2002 as an Independent Non-Executive Director. He was appointed as Chairman, Independent Non-Executive Director on 27 February 2007.

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

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

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

Mohd Riani bin Osman
Executive Director

Mohd Riani bin Osman, a Malaysian, aged 60, was appointed as an Executive Director of SMIS on 2 February 2002.

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

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

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

Ng Wai Kee
Executive Director

Ng Wai Kee, a Malaysian, aged 41, was appointed as an Executive Director of SMIS on 2 February 2002.

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

He is also a member of the Remuneration Committee.

He does not hold any other directorship of public companies. He is the son of Yap Siew Foong, a Director and major shareholder of the Company. Save as disclosed on page 94 of the annual report, he does not have any other conflict of interest with the Company and has not been convicted of any offences within the past 10 years.

Yap Siew Foong
Executive Director

Yap Siew Foong, a Malaysian, aged 68, was appointed as an Executive Director of SMIS on 2 February 2002.

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

She does not hold any other directorship of public companies. She is the mother of Ng Wai Kee and sister-in-law of Cham Bee Sim. Save as disclosed on page 94 of the annual report, she does not have any other conflict of interest with the Company and has not been convicted of any offences within the past 10 years.

Cham Bee Sim
Executive Director

Cham Bee Sim, a Malaysian, aged 64, was appointed as an Executive Director of SMIS on 2 February 2002.

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

He does not hold any other directorship of public companies. He is the brother-in-law of Yap Siew Foong, a Director and a major shareholder of SMIS. Save as disclosed on page 94 of the annual report, he does not have any other conflict of interest with the Company and has not been convicted of any offences within the past 10 years.

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

Danny Ng Siew L'Leong, a Malaysian, aged 54, was appointed to the Board of Directors of SMIS on 2 February 2002 as an Independent Non-Executive Director.

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

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

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

Pauline Teh @ Pauline Teh Abdullah
Independent Non-Executive Director

Pauline Teh @ Pauline Teh Abdullah, a Malaysian, aged 42, was appointed to the Board of Directors of SMIS on 2 February 2002, as an Independent Non-Executive Director.

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

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

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

Foo Lee Khean
Independent Non-Executive Director

Foo Lee Khean, a Malaysian, aged 49, was appointed to the Board of Directors of SMIS on 26 November, 2007, as an Independent Non-Executive Director.

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

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

He also serves as Director of SYF Resources Berhad, Kumpulan Jetson Berhad and Systech Bhd. He is a member of the Audit Committee.

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

Details of attendance of Board Meetings
The details of attendance of each Directors at Board Meetings are set out on page 12 of the Annual Report

CHAIRMAN'S STATEMENTS

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of SMIS Corporation Berhad and its subsidiary companies ("SMIS Group" or "Group") for the financial year ended 31 December 2011.

FINANCIAL PERFORMANCE

The Group concluded the year with total revenue of RM110m against RM97m for 2010, whilst profit before tax for 2011 was RM2.8m against RM9.9m for the previous year. Revenue growth was contributed by all its business segments. The automotive parts manufacturing and industrial parts trading, both experienced growth in revenue. The Group's entry into the plastic segment also contributed to its revenue growth.

The reduced profit was mainly due to development cost incurred which relates to projects which we expect to commence in 2012. The Japan tsunami and floods in Thailand disrupted supplies and also caused dips and peaks in production volume. These in turn resulted in costs to increase which affected the Group's profitability.

PROSPECTS

The demand for vehicles and industrial products is still strong and the Group is in a good position to take advantage of this. SMIS also expects its plastic segment to perform better in 2012 as it develops new products and breaks into new market segments.

We remain focus on improving operational efficiencies and exploring new opportunities to enhance the performance of the Group.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my utmost appreciation to every employee for their loyalty and commitment. I would also like to express our sincere gratitude to the stakeholders, shareholders, customers, suppliers and bankers for their continued support and trust.

Thank you.

Mohamed Ghazali bin Kamal Baharein
Chairman

Statement on Corporate Governance

The Board of Directors ("the Board') of SMIS Corporation Berhad ('the Company') is committed to ensuring that good corporate governance principles and practices are applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and to improve its financial performance. The Board is pleased to provide a statement on the manner in which the Company has applied the principles laid down in Part 1 of the Malaysian Code on Corporate Governance ("the Code") and the extent of compliance with the best practices set out in Part 2 of the Code during the financial year, save where otherwise identified and has been approved by the Board. This statement is approved by the Board on 30 April 2012.

BOARD OF DIRECTORS

(a) Board Composition and Balance

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

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

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

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

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

(b) Duties and Responsibilities

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

The roles of the Chairman and Executive Directors are clearly distinct for effective balance of power and authority. The Chairman is primarily responsible for the Board's effectiveness and conduct, ensuring timely and necessary information is provided to its' members; whilst the Executive Directors are responsible for daily management of the Group's operations, and implementation of policies and strategies adopted by the Board.

(c) Board Meetings

During the financial year ended 31 December 2011, the Board met 6 times to deliberate and consider matters pertaining to the Group's financial performance, significant investments, corporate development, strategic issues and business plans. The attendance records of the Directors who held office are as follows:-

Name of Director	Designation	No. of Meetings Attended
Mohamed Ghazali bin Kamal Baharein	Independent Non-Executive Director, Chairman	6/6
Danny Ng Siew L'Leong	Senior Independent Non-Executive Director	4/6
Pauline Teh @ Pauline Teh Abdullah	Independent Non-Executive Director	5/6
Foo Lee Khean	Independent Non-Executive Director	6/6
Mohd Riani bin Osman	Executive Director	6/6
Ng Wai Kee	Executive Director	6/6
Yap Siew Foong	Executive Director	4/6
Cham Bee Sim	Executive Director	6/6

(d) Supply of Information

All Board members are supplied with information in a timely manner. Board meetings are structured with preset agenda which encompass all aspects of matters under discussion. Board reports are circulated well in advance of Board meetings for the Board members' deliberation.

The Company Secretary also attends all Board meetings of the Company. All meetings of the Board are duly recorded in Board minutes by the Company Secretary. Where required, Senior Management and external advisors are invited to attend these meetings to explain and clarify on tabled matters.

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

The terms of appointment of Company Secretary, which permit removal and appointment of a successor, are matters for the Board as a whole to decide. The Company Secretary ensures that all Board meetings are properly convened, accurate and proper records of deliberations, proceedings and resolutions passed are recorded and maintained in statutory register at the registered office of the Company.

(e) Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme and 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, latest regulatory development and management strategies in relation to the Group's business.

Details of training attended by Directors during the financial year ended 31 December 2011 are as follows:

No	Name of Director	Programme	Date
1	Mohd Riani bin Osman Pauline Teh @ Pauline Teh Abdullah Foo Lee Khean Cham Bee Sim Ng Wai Kee Yap Siew Foong Mohamed Ghazali bin Kamal Baharein Danny Ng Siew L'Leong	Technical briefing on amendments of Listing Requirements of Bursa Malaysia Securities Bhd & New Corporate Disclosure Guide issued on 22 September 2011, Corporate Governance Blueprint 2011 & Risk Management	29 Nov 2011
2	Danny Ng Siew L'Leong	Raising the Bar of Corporate Governance	23 Nov 2011
3	Foo Lee Khean	Sustainability Programme for Corporate Malaysia	9 Feb 2011
		Essentials of Fundamental Analytics II : Creating a Framework for Sector Analysis	16 Apr 2011
		Essentials of Fundamental Analytics I : Analysing Company Performance	8 Oct 2011
		2012 Budget Proposals-Tax Changes and Its Impact on Businesses	18 Oct 2011

Any newly appointed Directors will be given briefings and orientation by the Executive Directors and Senior Management of the Company on the business activities of the Group and its strategic direction as well as their duties and responsibilities as Directors.

(f) Appointment and Re-election of Directors

The Nomination Committee, which is entirely comprised of Independent Non-Executive Directors, is responsible for making recommendations for new appointments to the Board.

In making these recommendations, the Nomination Committee considers the required mix of skills, knowledge, expertise, experience, professionalism, integrity of the candidates, and in the case of Independent Non-Executive Directors, their abilities to discharge responsibilities/functions as expected from them.

Any new nomination received is put to the full Board for assessment and decision.

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

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

(g) Board Committees

Board Committees are established to assist the Board in discharging its responsibilities. Each committee is set out below with its respective terms of reference approved by the Board. They are as follows:

Audit Committee

The terms of reference, the number of meetings held during the financial year and the attendance of each member can be found on pages 19 to 23 of the Audit Committee Report.

Nomination Committee

The Nomination Committee has three (3) members, all of whom are Independent Non-Executive Directors. They are tasked with the responsibility of proposing new nominees to the Board, and for assessing each director on an ongoing basis.

The Board, through the Nomination Committee, continuously reviews and assesses its required mix of skills, experience and other qualities, including core competencies that Non-Executive Directors should bring to the Board, and the size and composition of the Board to ensure that it has the right attributes to lead the Group effectively.

For the financial year ended 31 December 2011, the Nomination Committee has met once with full attendance of its members. It performed assessments on effectiveness of the board as a whole, committees of the board and contribution of each individual director, including Independent Non-Executive Directors. These assessments were documented.

Remuneration Committee

The Remuneration Committee comprises of four (4) members, with the majority being Independent Non-Executive Directors. They recommend to the Board the remuneration packages of Executive Directors. Such packages are designed to attract, retain and motivate the Directors, and are reflective of their experience and level of responsibilities. Remuneration of Executive Directors are reviewed annually. Executive Directors play no part in decisions on their own remunerations.

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

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

DIRECTORS' REMUNERATION

A summary of the remuneration of Directors distinguishing between Executive and Non-Executive Directors in aggregate, with categorization into appropriate components and the number of Directors whose remuneration falls into each successive bands of RM50,000 are disclosed below:-

Aggregate remuneration:

Category of Remuneration	Executive Directors RM	Non-Executive Directors RM	Total RM
Basic Salary	709,600	-	709,600
Bonus	217,656	-	217,656
Fees	48,000	104,000	152,000
Attendance Fee	-	22,000	22,000
Others	219,791	-	219,791
Total	1,195,047	126,000	1,321,047

Number of Directors whose remuneration falls into the following bands:

Remuneration Band	Number of Director		
	Executive	Non-Executive	Total
RM150,000 and below	-	4	4
RM150,001 to RM200,000	1	-	1
RM200,001 to RM250,000	1	-	1
RM250,001 to RM300,000	1	-	1
RM300,001 to RM350,000	1	-	1
Total	4	4	8

The Board has chosen to disclose the remuneration in bands pursuant to the Main Market Listing Requirements of Bursa Malaysia Security Berhad and is of the opinion that detailed disclosure of individual director's remuneration will not add significantly to the understanding and evaluation of the Company's governance.

SHAREHOLDERS

(a) Shareholders and Investor Relations

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

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 endeavors 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.

(b) AGM

AGM is the 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.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

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

The Statement of Responsibility by the Directors in respect of preparation of annual audited accounts can be found on page 26 of this Annual Report.

(b) Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal controls in the Group and the Company. However, these controls can only provide reasonable but not absolute assurance against material misstatement, loss, or fraud. Information on the Group's internal control is disclosed in Statement on Internal Control set out on pages 24 to 25 in this Annual Report.

(c) Relationship with Auditors

The Board maintains a transparent and professional relationship with the Group's external auditors. The role of the Audit Committee in relation to external auditors is explained in Audit Committee Report on pages 19 to 23 of this Annual Report.

OTHER INFORMATION

(a) Corporate Social Responsibility (CSR)

SMIS continues to recognise the academic achievements of her employees' children. Cash awards ranging from RM300 to RM1,000 were awarded to children of employees who excelled in public examinations as well as those who achieved the top three positions in their class. Employees' children who were pursuing tertiary education in local institutions of higher learning were also given cash sponsorship. The welfare of employees' children will continue to be a key focus of SMIS' CSR activities.

(b) Share Buy-Back

The details of shares bought back and retained as treasury shares during the financial year ended 31 December 2011 are set out as below:-

	Number of SMIS Shares Purchased	Highest Price RM	Lowest Price RM	Average Price RM	Total Amount Paid RM
Jan-11	-	-	-	-	-
Feb-11	-	-	-	-	-
Mar-11	5,000	0.84	0.84	0.84	4,246
Apr-11	-	-	-	-	-
May-11	-	-	-	-	-
Jun-11	-	-	-	-	-
Jul-11	-	-	-	-	-
Aug-11	15,000	0.58	0.56	0.57	8,666
Sep-11	-	-	-	-	-
Oct-11	4,000	0.50	0.50	0.50	2,043
Nov-11	-	-	-	-	-
Dec-11	-	-	-	-	-
Total	**24,000**				**14,955**

(c) Options or Convertible Securities

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

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

Save as disclosed below, 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 during the financial year ended 31 December 2011:

Date of Contract	Parties	General nature	Relationship between director/major shareholder and contracting party
15 December 2011	Exsilio Pte. Ltd. ("Exsilio"), Plaspoint Sdn. Bhd. (formerly known as All Century Streams Sdn. Bhd.) ("Plaspoint"), Tan Ah Seng @ Tan Chu Seng ("TAS"), Sin Thiang Hong ("STH") and Greentown Enterprise Sdn. Bhd. ("Greentown")	Modification Agreement varying certain terms of the Resin Investment, i.e. investment in the business of recycling of plastic scraps and trading in all kinds of resins	Refer to note below [a]
15 December 2011	Plaspoint and Greentown	Sale and Purchase Agreement acquisition from Greentown all that piece of industrial land held under Title Geran No 392627, Lot No 177331, Mukim Plentong, Daerah Johor Bahru, Johor together with the factory building erected thereon for a cash consideration of RM3,000,000.	Refer to note below [a]

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

Note [a]: STH was a major shareholder of Plaspoint, a sub-subsidiary of SMIS held via Exsilio. He is also the Director and major shareholder of Greentown, and brother of Sin Sai Hiang ("SSH"), who is the Director and major shareholder of Greentown.

TAS was a director and major shareholder of Plaspoint. He is the spouse of SSH and brother in law of STH, both are the Directors and major shareholders of Greentown.

Please refer to the announcements for more details of the contracts.

(e) Recurrent Related Party Transactions

The details of the transactions with related parties undertaken by the Company during the financial period are disclosed in Note 26 on pages 87 to 88 of the notes to the financial statements and in the Circular to Shareholders, dated 17 May 2011.

(f) Non-Audit Fees

There was non-audit fees of RM20,000 paid to external auditors for the financial year under review.

(g) Sanctions and/or Penalties Imposed

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

(h) Depository Receipt Programme

There was no Depository Receipt Programme sponsored by the Company during the financial year.

(i) Variance of Actual Profit from the Forecast Profit

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

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

(j) Profit Guarantee

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

(k) Utilisation of Proceeds

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

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2011.

ATTENDANCE AT MEETINGS

Members of the Audit Committee and details of their attendance at meetings during the financial year ended 31 December 2011 are as follows:

		No. of Meetings Attended
Chairman:	Danny Ng Siew L'Leong (Senior Independent Non-Executive Director)	4/6
Members:	Pauline Teh @ Pauline Teh Abdullah (Independent Non Executive Director)	5/6
	Foo Lee Khean (Independent Non Executive Director)	6/6

TERMS OF REFERENCE FOR AUDIT COMMITTEE

1. OBJECTIVES

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

In addition, the Audit Committee shall:-

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

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

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

2. COMPOSITION

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

(a) the audit committee must be composed of no fewer than 3 members;
(b) all members of the audit committee should be non-executive directors;
(c) a majority of the audit committee must be independent directors; and
(d) all members of the audit committee should be financially literate and at least one member of the audit committee:
  i) must be a member of the Malaysian Institute of Accountants; or
  ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
    • he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
    • he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967, or

2. COMPOSITION (continued)

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

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

The members of the Audit Committee shall elect a Chairman from among their numbers who shall also be an independent director.

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

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

3. FUNCTIONS

The functions of the Audit Committee are as follows:

(a) To review the following and report the same to the Board of Directors:
  i. with the external auditors, the audit plan;
  ii. with the external auditors, their evaluations of the system of internal controls;
  iii. with the external auditors, their audit reports;
  iv. the assistance given by the Company's employees to the external auditors; and
  v. any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

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

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

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

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

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

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

(g) To do the following in relation to the internal audit function:
- Review the adequacy of scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

3. FUNCTIONS (continued)

- Review the internal audit programs and results of the internal audit process. Where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- Review any appraisal or assessment of performance of members of the internal audit function;
- Approve any appointment or termination of senior staff members of the internal audit function; and
- Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning.

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

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

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

4. RIGHTS OF THE AUDIT COMMITTEE

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

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

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

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

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

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

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

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

5. MEETINGS

The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. However, at least twice a year the Audit Committee shall meet with the external auditors in the absence of executive Board members.

5. MEETINGS (continued)

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

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

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

A quorum shall consist of a majority of independent directors.

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

Summary of Activities of the Audit Committee

In accordance with the terms of reference of the Audit Committee, the following activities were undertaken by the Audit Committee during the financial year ended 31 December 2011:

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

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

(d) Assessed the adequacy of scope, function, competency and resources of the Internal Auditors function.

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

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

(g) 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.

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

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

(j) Reviewed the internal control statement to be published in the Annual Report.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The activities of the Internal Audit Function during the financial year ended 31 December 2011 were as follows:

(a) Regular review of business processes in accordance with approved internal audit plan.

(b) Periodically presented the results of internal audit reviews to the Audit Committee.

(c) Follow up reviews were carried out to ascertain the status of implementation of agreed management action plans. The results of follow up reviews were reported to the Audit Committee.

TRAINING

During the financial year ended 31 December 2011, the Audit Committee members attended the following training:

Name of Director	No	Programme	Date
Foo Lee Khean	1	Sustainability Programme for Corporate Malaysia	9 Feb 2011
	2	Essentials of Fundamental Analytics II : Creating a Framework for Sector Analysis	16 Apr 2011
	3	Essentials of Fundamental Analytics I : Analysing Company Performance	8 Oct 2011
	4	2012 Budget Proposals-Tax Changes and Its Impact on Businesses	18 Oct 2011
	5	Technical briefing in relation to the amendments of Listing requirements of Bursa Malaysia Securities Berhad and New Corporate Disclosure Guide issued on 22 September 2011, Corporate Governance Blueprint 2011 & Risk Management	29 Nov 2011
Danny Ng Siew L'Leong	1	Raising the Bar of Corporate Governance	23 Nov 2011
	2	Technical briefing in relation to the amendments of Listing requirements of Bursa Malaysia Securities Berhad and New Corporate Disclosure Guide issued on 22 September 2011, Corporate Governance Blueprint 2011 & Risk Management	29 Nov 2011
Pauline Teh @ Pauline Teh Abdullah	1	Technical briefing in relation to the amendments of Listing requirements of Bursa Malaysia Securities Berhad and New Corporate Disclosure Guide issued on 22 September 2011, Corporate Governance Blueprint 2011 & Risk Management	29 Nov 2011

This report is made in accordance with the approval of the Board of Directors dated 30 April 2012.

Statement of Internal Control

INTRODUCTION

The Board of Directors ("the Board") of SMIS Corporation Berhad is pleased to present its Statement of Internal Control for financial year ended 31 December 2011, which has been prepared pursuant to paragraph 15.27(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance"). This statement outlines the nature and state of internal controls of the Group.

BOARD RESPONSIBILITY

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

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

RISK MANAGEMENT FRAMEWORK

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.

Key Management staff and Heads of Department are delegated with the responsibilities to manage identified risks within defined parameters and standards. The deliberation of risks and related mitigating responses are carried out at the periodic management meetings attended by the Executive Directors and Key Management staff. Significant risks are communicated to the Board at their scheduled meetings.

During the year under review, Management with the assistance of external consultant updated the key risk profiles of the Group. The results of the risk management update exercise were presented to Audit Committee on 27 May 2011.

The above mentioned practices of the Group serves as the on-going process used to identify, evaluate and manage significant risks.

INTERNAL AUDIT

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

During the financial year ended 31 December 2011, internal audits were carried out in accordance with the internal audit plan approved by the Audit Committee. The results of the internal audit reviews and recommendations for improvement were presented to the Audit Committee at their quarterly meetings. 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.

Total professional fees paid for outsourcing of internal audit function for the year ended 31 December 2011 was RM60,000 (2010- RM60,000).

KEY ELEMENTS OF INTERNAL CONTROL

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

- An organizational structure, which clearly defines the lines of responsibility, proper segregation of duties and delegation of authority.
- Rigorous review of key information such as financial performance, key business indicators, management accounts and detailed budgets by the Board and Audit Committee.
- The Executive Directors are closely involved in the running of business and operations of the Group. They report to the Board on significant changes in the business and external environment, which may affect the operations of the Group at large.
- Operation review meetings are held by the management on a monthly basis to monitor the progress of business operations, deliberate significant issues and formulate appropriate measures.
- Certain of the Group's operations are certified by ISO 9001:2000, ISO/TS 16949 and ISO 14001:2004. With these certifications, reviews are conducted by independent external ISO auditors particularly to ensure compliance with terms and conditions of the respective certifications.
- Machinery segment and Automotive segment are reviewed and certified by ISO 9001:2000 and ISO/TS 16949 respectively, where they meet specific requirements for quality management system and demonstrate their abilities to consistently provide products that meet customers' and applicable regulatory requirements. These enhance customers' satisfaction through effective application of the system, including processes for continual improvement of the system and assurance of conformity tocustomers' and applicable regulatory requirements.
- In addition to the above, Automotive segment is also reviewed and certified by ISO 14001:2004 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.

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 controls.

This statement is approved by the Board of Directors on 30 April 2012.

Directors' Responsibility Statement

The Board are required by the companies Act, 1965 to prepare financial statements for each financial year which have been made in accordance with applicable approved accounting standards and the provisions of the companies Act, 1965, which give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2011 and of the results and cash flows of the Group and Company for the financial year ended on that date.

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

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

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

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

The Directors are responsible for ensuring that proper accounting records are kept in accordance with the Companies Act, 1965. The Directors also have overall responsibility in taking such steps as are reasonable open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENTS

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	(490)	14,825
Non-controlling interests	622	-
	132	14,825

RESERVES AND PROVISIONS

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

DIVIDENDS

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

DIRECTORS OF THE COMPANY

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

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	At 1.1.2011	Bought	Sold	At 31.12.2011
Direct interest in the Company				
Mohd Riani bin Osman	2,389,336	-	-	2,389,336
Ng Wai Kee	700,900	-	-	700,900
Yap Siew Foong	1,263,730	-	-	1,263,730
Cham Bee Sim	249,572	-	-	249,572
Indirect interest in the Company				
Yap Siew Foong	15,680,000	-	-	15,680,000

By virtue of their interest in the ordinary shares of the Company, Yap Siew Foong is also deemed interested in the ordinary shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2011 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 26 to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

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

There were no debentures issued during the financial year.

TREASURY SHARES

During the financial year, the Company repurchased 24,000 of its issued ordinary shares from the open market at an average price of RM0.623 per share. The total consideration paid was approximately RM14,955 including transaction cost of RM180. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2011, the Group held 2,570,100 (2010 - 2,546,100) of the Company's shares. The number of outstanding ordinary shares of RM1.00 each in issue after the set off is 42,229,900 (2010 - 42,253,900).

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

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

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

ii) any current assets which were unlikely to be realised in the ordinary course of business have 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:

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

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

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

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

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

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

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

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

In the opinion of the Directors, except for the development expenditure expensed as disclosed in the financial statements of the Group, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS DURING THE YEAR

The significant events are disclosed in Note 29 to the financial statements.

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

....

Mohd Riani bin Osman

....

Ng Wai Kee

Kuala Lumpur, Malaysia

Date: 30 April 2012

Statement by Directors
pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 36 to 90 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2011 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 30 on page 91 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

……………………………………………………….
Mohd Riani bin Osman

……………………………………………………….
Ng Wai Kee

Kuala Lumpur, Malaysia

Date: 30 April 2012

Statutory Declaration

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

I, **Ng Wai Kee**, the Director primarily responsible for the financial management of SMIS Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 91 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 30 April 2012.

………………………………………………

Ng Wai Kee

Before me:

Independent Auditors' Report

to the members of SMIS Corporation Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of SMIS Corporation Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 90.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

b) We have considered the accounts and the auditors' report of subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

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

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 30 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Chan Kam Chiew
Approval Number: 2055/06/12(J)
Chartered Accountant

Petaling Jaya,
Date: 30 April 2012

Statements of Financial Position

As at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Assets					
Property, plant and equipment	3	25,754	22,124	-	1
Investment properties	4	522	1,308	-	-
Intangible assets	5	2,217	710	-	-
Investment in subsidiaries	6	-	-	64,908	55,688
Other investments	7	5,005	11,869	-	1,509
Deferred tax assets	8	841	1,776	-	-
Total non-current assets		34,339	37,787	64,908	57,198
Trade and other receivables	9	29,553	23,296	267	26
Prepayments		2,245	2,289	-	-
Inventories	10	14,869	12,157	-	-
Current tax assets		362	561	-	-
Cash and cash equivalents	11	18,895	20,609	2,247	534
Total current assets		65,924	58,912	2,514	560
Total assets		100,263	96,699	67,422	57,758
Equity					
Share capital	12	44,800	44,800	44,800	44,800
Share premium		4,891	4,891	4,891	4,891
Reserves	12	22,527	24,191	17,536	2,735
Total equity attributable to the owners of the Company		72,218	73,882	67,227	52,426
Non-controlling interests		3,999	2,618	-	-
Total equity		76,217	76,500	67,227	52,426
Liabilities					
Other financial liabilities	16	707	-	-	-
Provision for warranties	15	337	200	-	-
Deferred tax liabilities	8	1,117	1,931	-	-
Total non-current liabilities		2,161	2,131	-	-
Loans and borrowings	13	2,990	-	-	-
Trade and other payables	14	18,236	17,626	195	5,332
Provision for warranties	15	390	324	-	-
Current tax liabilities		269	118	-	-
Total current liabilities		21,885	18,068	195	5,332
Total liabilities		24,046	20,199	195	5,332
Total equity and liabilities		100,263	96,699	67,422	57,758

The notes on pages 43 to 91 are an integral part of these financial statements.

Statements of Comprehensive Income

For the year ended 31 December 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue		110,009	97,487	-	-
Cost of sales		(88,427)	(76,278)	-	-
Gross profit		21,582	21,209	-	-
Other operating income		1,093	1,105	15,215	2,375
Distribution expenses		(1,224)	(1,293)	-	-
Administrative expenses		(11,480)	(8,511)	(390)	(636)
Other operating expenses		(7,218)	(2,621)	-	-
Results from operating activities		2,753	9,889	14,825	1,739
Finance income		239	40	-	-
Finance costs	19	(177)	(71)	-	-
Profit before tax		2,815	9,858	14,825	1,739
Income tax expense	20	(2,683)	(1,386)	-	-
Profit for the year	17	132	8,472	14,825	1,739
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(77)	-	-	-
Fair value of available-for-sale financial assets		83	(51)	(9)	9
Total comprehensive income for the year		138	8,421	14,816	1,748
(Loss)/Profit attributable to:					
Owners of the Company		(490)	6,113	14,825	1,739
Non-controlling interests		622	2,359	-	-
Profit for the year		132	8,472	14,825	1,739
Total comprehensive income attributable to:					
Owners of the Company		(481)	6,212	14,816	1,748
Non-controlling interests		619	2,359	-	-
Total comprehensive income for the year		138	8,571	14,816	1,748
Basic (loss)/earnings per ordinary share (sen):	21	(1.16)	14.44		

The notes on pages 43 to 91 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Foreign Currency Translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
		Attributable to the owners of the Company								
		Non-distributable					Distributable			
At 1 January 2010		44,800	4,891	(1,023)	-	220	19,045	67,933	259	68,192
Fair value of available-for-sale financial assets		-	-	-	-	(51)	-	(51)	-	(51)
Total other comprehensive income for the year		-	-	-	-	(51)	-	(51)	-	(51)
Profit for the year		-	-	-	-	-	6,113	6,113	2,359	8,472
Total comprehensive income for the year		-	-	-	-	(51)	6,113	6,062	2,359	8,421
Own shares acquired	12	-	-	(113)	-	-	-	(113)	-	(113)
At 31 December 2010		44,800	4,891	(1,136)	-	169	25,158	73,882	2,618	76,500
At 1 January 2011		44,800	4,891	(1,136)	-	169	25,158	73,882	2,618	76,500
Fair value of available-for-sale financial assets		-	-	-	-	83	-	83	-	83
Foreign currency translation reserve		-	-	-	(75)	-	-	(75)	(2)	(77)
Total other comprehensive income for the year		-	-	-	(75)	83	-	8	(2)	6
Profit for the year		-	-	-	-	-	(490)	(490)	622	132
Total comprehensive income for the year		-	-	-	(75)	83	(490)	(482)	620	138
Own shares acquired	11	-	-	(15)	-	-	-	(15)	-	(15)
Loss on dilution of shares arising from allotment of shares in a subsidiary		-	-	-	-	-	(460)	(460)	460	-
Non-controlling interests' subscription of new shares in subsidiaries		-	-	-	-	-	-	-	301	301
Fair value of written put options to non-controlling interests		-	-	-	-	-	(707)	(707)	-	(707)
At 31 December 2011		44,800	4,891	(1,151)	(75)	252	23,501	72,218	3,999	76,217
		Note 12		Note 12	Note 12	Note 12				

The notes on pages 43 to 91 are an integral part of these financial statements.

Company	Share capital RM'000	← Non-distributable Share premium RM'000	Treasury shares RM'000	Fair value reserve → RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2010	44,800	4,891	(1,023)	-	2,123	50,791
Purchase of treasury shares	-	-	(113)	-	-	(113)
Total comprehensive income for the year	-	-	-	9	1,739	1,748
At 31 December 2010/ 1 January 2011	44,800	4,891	(1,136)	9	3,862	52,426
Purchase of treasury shares	-	-	(15)	-	-	(15)
Total comprehensive income for the year	-	-	-	(9)	14,825	14,816
At 31 December 2011	44,800	4,891	(1,151)	-	18,687	67,227
	Note 12		Note 12	Note 12	Note 12	

The notes on pages 43 to 91 are an integral part of these financial statements.

Statements of cash flows

For the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from operating activities					
Profit before tax		2,815	9,858	14,825	1,739
Adjustments for:					
(Reversal of allowance) /Allowance for slow moving inventories		(98)	262	-	-
Amortisation of intangible assets		82	-	-	-
Impairment loss on:-					
- investment properties		317	-	-	-
- trade receivables		276	215		-
- trade receivables written off		-	17	-	-
Inventories written off		-	550	-	-
Depreciation of:					
- investment properties		36	42	-	-
- plant and equipment	3	3,855	3,726	1	1
Dividend income:					
- other investments		(107)	-	-	-
- subsidiaries		-	-	(19,405)	
Gain on disposal of:					
- plant and equipment		(3)	(109)	-	-
- investment properties		(207)	-	-	-
- other investments		(115)	(389)	(32)	(10)
Equity settled shared-based payments transactions		297	-	-	-
Finance income		(239)	(40)	-	-
Interest paid	18	111	32	-	-
Reversal of impairment loss on:					
- trade receivables		(100)	(103)	-	-
- investment in subsidiaries	6	-	-	-	(2,365)
Unrealised foreign exchange gain		(68)	(23)	-	-
Unrealised foreign exchange loss		17	79	-	-
Operating profit/(loss) before changes in working capital		6,869	14,117	(4,611)	(635)
Change in inventories		(2,614)	439	-	-
Change in trade and other payables		(799)	1,204	(5,137)	11
Change in trade and other receivables		(6,359)	(6,712)	(241)	(26)
Cash generated (used in) /from operations		(2,903)	9,048	(9,989)	(650)

The notes on pages 43 to 91 are an integral part of these financial statements.

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from operating activities (continued)					
Cash generated (used in) /from operations		(2,903)	9,048	(9,989)	(650)
Interest paid		(111)	(32)	-	-
Income taxes refunded		275	-	4,285	-
Income tax paid		(2,488)	(1,760)	-	-
Net cash (used in)/ generated from operating activities		(5,227)	7,256	(5,704)	(650)
Cash flows from investing activities					
Additional investment in subsidiaries	28	(2,940)	-	(9,220)	-
Acquisition of:					
- plant and equipment	(ii)	(4,509)	(2,682)	-	-
- other investments		(18)	(26,000)	-	(3,500)
Dividend income		107	-	15,120	-
Interest received		239	40	-	-
Proceeds from disposal of: -					
- other investments		7,080	26,433	1,532	2,010
- investment properties		640	-	-	-
- plant and equipment		11	142	-	-
Proceeds from shares issued to non-controlling interests		3	-	-	-
Net cash generated from /(used in) investing activities		613	(2,067)	7,432	(1,490)
Cash flows from financing activity					
Purchase of treasury shares at cost		(15)	(113)	(15)	(113)
Net cash used in financing activity		(15)	(113)	(15)	(113)
Net (decrease)/ increase in cash and cash equivalents		(4,629)	5,076	1,713	(2,253)
Exchange rate fluctuations reserve		(75)	-	-	-
Cash and cash equivalents at 1 January		20,609	15,533	534	2,787
Cash and cash equivalents at 31 December	(i)	15,905	20,609	2,247	534

NOTES TO STATEMENTS OF CASH FLOWS

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Deposits placed with licensed banks	11	5,130	11,012	-	-
Cash and bank balances	11	13,765	9,597	2,247	534
Bank overdraft	13	(2,990)	-	-	-
		15,905	20,609	2,247	534

(ii) Acquisition of property, plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM6,142,000 (2010: RM3,009,000) of which RM1,633,000 (2010: RM327,000) was accrued for.

Notes to the Financial Statements

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

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

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2011 do not include other entities.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 30 April 2012.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company has been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011
- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012
- FRS 124, *Related Party Disclosures (revised)*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012
- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

1. **BASIS OF PREPARATION (continued)**

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments (2009)*
- FRS 9, *Financial Instruments (2010)*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Mandatory Date of FRS 9 and Transition Disclosures*

The Company's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Company will not be adopting the above FRSs, Interpretations and amendments.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

1. BASIS OF PREPARATION (continued)

(a) Use of estimates and judgements (continued)

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

- Note 4 - fair value of investment properties
- Note 5 - impairment of intangible assets
- Note 8 - recognition of capital allowances carry-forwards
- Note 15 - provision for warranties

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011 the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

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

(iii) Accounting for acquisition of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have an impact on earnings per share.

In the previous financial years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(v) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the "foreign currency translation reserve" (FCTR) in equity. However, if the 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 or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

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 at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents. Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair value with the gain or loss recognised in other comprehensive income, except for impairment losses which is recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss.

All financial assets are subject to review for impairment (see Note 2(j)(i)).

Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities are financial liabilities arising from written put options to non-controlling interests. Written put options to non-controlling interests are recognised at fair value. At the end of each reporting date, the liability is remeasured and the changes are taken directly to equity.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(iii) Derecognition (continued)

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Capital work-in-progress is not depreciated until the assets are ready for their intended use.

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

• Leasehold land	17 - 99 years
• Buildings	50 years
• Plant and machinery	5 - 10 years
• Office equipment, furniture and fittings and renovation	3 - 50 years
• Motor vehicles	3 - 10 years
• Moulds and jigs	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

(e) Leased assets

(i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss 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. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Intangible assets

Intangible assets comprise of goodwill and customer relationship.

(i) Goodwill

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

(ii) Customer relationship

This represents the customer relationship of the acquired subsidiary at the date of acquisition. The fair value of customer relationship is based on the discounted cash flows expected to be derived from the relationship with these customers.

(iii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Customer relationship is amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life for customer relationship is over 5 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. Properties that are occupied by the Company are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 2(d).

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

(ii) Determination of fair value

The fair value on the investment properties are determined based on Directors' informal enquires made with registered valuers.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value with first-in first-out being the main basis for cost. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. In the case of trading goods, cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with Note 2(c).

(j) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of the cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Equity instrument

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

(l) Employee benefits

(i) Short term employee benefits

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

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

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Share-based payment transactions

The grant date fair value of share-based payment awards to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of employee share options is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(n) Revenue and other income

(i) Goods sold

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

(ii) Rental income

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

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

(iv) Interest income

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

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is 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.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

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

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

(p) 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.

(q) 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 chief operating decision maker, which in this case is the Executive Directors of the Group, 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. PROPERTY, PLANT AND EQUIPMENT

Group	Land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings and renovations RM'000	Motor vehicles RM'000	Moulds and jigs RM'000	Total RM'000
Cost							
At 1 January 2010	4,138	12,996	31,822	7,819	2,184	3,900	62,859
Additions	-	-	1,398	547	443	621	3,009
Disposals/write off	-	-	(24)	-	(428)	(33)	(485)
At 31 December 2010/1 January 2011	4,138	12,996	33,196	8,366	2,199	4,488	65,383
Additions	1,235	-	3,005	1,001	242	659	6,142
Acquisition through business combinations	-	-	1,256	95	-	-	1,351
Disposals/write off	-	-	(19)	-	-	-	(19)
At 31 December 2011	5,373	12,996	37,438	9,462	2,441	5,147	72,857
Depreciation and impairment loss							
At 1 January 2010:							
Accumulated depreciation	609	3,790	22,271	5,607	1,944	3,287	37,508
Accumulated impairment loss	-	-	2,244	208	-	24	2,476
	609	3,790	24,515	5,815	1,944	3,311	39,984
Depreciation for the year	36	298	2,097	568	225	502	3,726
Disposals/write off	-	-	(4)	-	(428)	(19)	(451)
At 31 December 2010/1 January 2011:							
Accumulated depreciation	645	4,088	24,364	6,175	1,741	3,770	40,783
Accumulated impairment loss	-	-	2,244	208	-	24	2,476
	645	4,088	26,608	6,383	1,741	3,794	43,259
Depreciation for the year	40	297	2,272	626	209	411	3,855
Disposals/write off	-	-	(11)	-	-	-	(11)
At 31 December 2011:							
Accumulated depreciation	685	4,385	26,625	6,801	1,950	4,181	44,627
Accumulated impairment loss	-	-	2,244	208	-	24	2,476
	685	4,385	28,869	7,009	1,950	4,205	47,103
Carrying amounts							
At 1 January 2010	3,529	9,206	7,307	2,004	240	589	22,875
At 31 December 2010/1 January 2011	3,493	8,908	6,588	1,983	458	694	22,124
At 31 December 2011	4,688	8,611	8,569	2,453	491	942	25,754

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Office equipment RM'000
Cost	
At 1 January 2010/31 December 2010/ 1 January 2011/31 December 2011	9
Accumulated depreciation	
At 1 January 2010	7
Depreciation for the year	1
At 31 December 2010/1 January 2011	8
Depreciation for the year	1
At 31 December 2011	9
Carrying amounts	
At 1 January 2010	2
At 31 December 2010/1 January 2011	1
At 31 December 2011	-

3.1 Security

A freehold land and buildings of the Group costing RM4,320,000 (2010: RM4,320,000) have been assigned/pledged to a licensed bank as security for borrowings/banking facilities granted to a subsidiary. As at 31 December 2011, the Group has not utilised its banking facilities.

3.2 Land

Included in the carrying amounts of land are:

	Group	
	2011 RM'000	2010 RM'000
Freehold land	1,555	1,555
Leasehold land with unexpired lease period of:-		
- more than 50 years	1,203	1,219
- less than 50 years	1,930	719
	4,688	3,493

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 Land (continued)

As of 31 December 2011, a piece of land, located in Indonesia, acquired by the Group during the year amounting to RM1,235,000 has not been registered under the subsidiary's name because it is pending approval by the relevant authority.

4. INVESTMENT PROPERTIES

Group	Buildings 2011 RM'000	2010 RM'000
Cost		
At 1 January/31 December	2,544	2,544
Disposal during the year	(595)	-
	1,949	2,544
Depreciation and impairment loss		
At 1 January		
Accumulated depreciation	857	815
Accumulated impairment loss	379	379
	1,236	1,194
Depreciation for the year	36	42
Disposal during the year	(162)	-
Impairment loss for the year	317	-
At 31 December		
Accumulated depreciation	731	857
Accumulated impairment loss	696	379
	1,427	1,236
Carrying amounts		
At 31 December	522	1,308
Fair values		
At 31 December	3,960	5,680

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

The fair value on the investment properties are determined based on Directors' informal enquires made with registered valuers.

4. INVESTMENT PROPERTIES (continued)

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

	Group 2011 RM'000	Group 2010 RM'000
Rental income	220	233
Direct operating expenses:		
- income generating investment properties	(45)	(78)
- non-income generating investment properties	(14)	-

5. INTANGIBLE ASSETS

Group	Note	Goodwill RM'000	Customer relationship RM'000	Total RM'000
Cost				
At 1 January 2010/ 31 December 2010/ 1 January 2011		710	-	710
Acquisitions through business combinations		612	977	1,589
At 31 December 2011		1,322	977	2,299
Amortisation				
At 1 January 2010/ 31 December 2010/ 1 January 2011		-	-	-
Amortisation for the year	5.1	-	82	82
At 31 December 2011		-	82	82
Carrying amounts				
At 1 January 2010/ 31 December 2010/ 1 January 2011		710	-	710
At 31 December 2011		1,322	895	2,217

5.1 Amortisation

The amortisation of customer relationship is recognised in other operating expenses within profit or loss.

5.2 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

5. INTANGIBLE ASSETS (continued)

5.2 Impairment testing for cash-generating units containing goodwill (continued)

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group 2011 RM'000	2010 RM'000
Machinery parts division	710	710
Plastic resins trading and compounding division	612	-
	1,322	710

Machinery parts division

The recoverable amount of the machinery parts division was based on value in use calculation. The calculation was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and terminal value based on actual operating results in 2011 using estimated constant growth rate of 5%.
- A pre-tax discount rate of 8.3% (2010: 7.8%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's existing weighted average cost of capital.

The values assigned to the key assumptions used in preparing the projections represent management's assessment of future trends in the machinery parts division and are based on internal sources (historical data).

The Group will not suffer any impairment loss even if the above estimates experienced the following changes:

- An increase of 100 basis points in the discount rate;
- A 10% decrease in growth rate to terminal value.

Plastic resins trading and compounding division

Plastic resins trading and compounding division is a new business segment of the Group in the current financial year.

The recoverable amount of the plastic resins compounding division was based on its value in use and was determined by management.

The calculation was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and 2-year business plan established in 2011.
- Revenue was projected at about RM34,310,000 in the first year of the business plan (i.e. 2012) as the management anticipates sales to new customers segment as part of its growth plan. Subsequent to year 2012, the anticipated annual revenue included in the cash flow projections is expected to grow by 10% for year 2013 and 5% annually thereafter.

5. INTANGIBLE ASSETS (continued)

Plastic resins trading and compounding division (continued)

- A pre-tax discount rate of 10% was applied in determining the recoverable amount of the unit as this is a new business segment undertaken by the Group.

The values assigned to the key assumptions represent management's assessment of future trends in the plastic resins compounding industry and are based on internal sources (historical data).

The Group will not suffer any impairment loss even if the above estimates experienced the following changes:

- An increase of 100 basis points in the discount rate;
- A 10% decrease in growth rate to terminal value.

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2011 RM'000	2010 RM'000
At cost:		
Unquoted shares	59,664	59,664
Additional investment during the year	9,220	- *
Less: Accumulated impairment loss	(3,976)	(3,976)
At 31 December	64,908	55,688

* In 2010, the Company had purchased 2 ordinary shares of SGD1 each for a cash consideration of RM5, which represents the entire equity interest in the share capital of Exsilio Pte. Ltd.

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2011 %	Effective ownership interest 2010 %
Grand Carpet Industries Sdn. Bhd.	Malaysia	Trading of carpet of all descriptions	100	100
Sanyco Grand Industries Sdn. Bhd.	Malaysia	Manufacturing of automotive braking components and motorcycle components	100	100
Machinery & Industrial Supplies Sdn. Bhd.	Malaysia	Trading of machinery and industrial parts supplies	100	100
Sugihara Grand Industries Sdn. Bhd.	Malaysia	Manufacturing and trading of carpet of all descriptions	60	60

6. INVESTMENT IN SUBSIDIARIES (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2011 %	2010 %
Cleon Technology Sdn. Bhd.	Malaysia	Dormant	66.25	66.25
Exsilio Pte. Ltd. #	Singapore	Investment holding	96.67	100
Subsidiaries of Exsilio Pte. Ltd.				
Plaspoint Sdn. Bhd. (f.k.a All Century Streams Sdn. Bhd.)	Malaysia	Trading and compounding of plastic resins	92.32	-
PT Zusma Plastics #	Indonesia	Dormant	96.67	-

Not audited by member firms of KPMG International.

7. OTHER INVESTMENTS

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Available-for-sale financial assets - investment in unit trust, quoted in Malaysia	5,005	11,869	-	1,509
Fair value of investment in unit trust	5,005	11,869	-	1,509

8. DEFERRED TAX ASSETS/LIABILITIES

Recognised deferred tax assets/liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2011 RM'000	Assets 2010 RM'000	Liabilities 2011 RM'000	Liabilities 2010 RM'000	Net 2011 RM'000	Net 2010 RM'000
Property, plant and equipment	(796)	-	(1,285)	(1,931)	(2,081)	(1,931)
Provisions	1,058	1,071	275	-	1,333	1,071
Reinvestment allowances	-	-	(107)	-	(107)	-
Capital allowance carry-forwards	579	705	-	-	579	705
Net tax assets/(liabilities)	841	1,776	(1,117)	(1,931)	(276)	(155)

8. DEFERRED TAX ASSETS/LIABILITIES (continued)

Movement in temporary differences during the year

	At 1.1.2010 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.12.2010 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.12.2011 RM'000
Property, plant and equipment	(1,567)	(364)	(1,931)	(150)	(2,081)
Provisions	812	259	1,071	262	1,333
Capital allowance carry-forwards	705	-	705	(126)	579
Reinvestment allowances	-	-	-	(107)	(107)
	(50)	(105)	(155)	(121)	(276)

Unrecognised deferred tax assets

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

	Group	
	2011 RM'000	2010 RM'000
Property, plant and equipment	1,170	1,170
Tax loss carry-forwards	455	455
Capital allowance carry-forwards	1,254	1,254
	2,879	2,879

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

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Current					
Trade					
Trade receivables	a	26,218	20,911	-	-
Non-trade					
Other receivables		3,055	2,136	243	26
Deposits		280	249	24	-
		3,335	2,385	267	26
		29,553	23,296	267	26

Note a
Credit terms of trade receivables range from 60 -180 days (2010: 60 - 180 days).

10. INVENTORIES

	Group 2011 RM'000	Group 2010 RM'000
At cost		
Raw materials	6,049	5,008
Work-in-progress	771	617
Manufactured goods	2,480	1,111
Trading goods	5,569	5,421
	14,869	12,157

11. CASH AND CASH EQUIVALENTS

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Deposits placed with licensed banks	5,130	11,012	-	-
Cash and bank balances	13,765	9,597	2,247	534
	18,895	20,609	2,247	534

12. CAPITAL AND RESERVES

12.1 Share capital

	Group and Company			
	Amount 2011 RM'000	Number of shares 2011 '000	Amount 2010 RM'000	Number of shares 2010 '000
Authorised:				
Ordinary shares of RM1.00 each	60,000	60,000	60,000	60,000
Issued and fully paid:				
Ordinary shares of RM1.00 each	44,800	44,800	44,800	44,800

12.2 Ordinary shares

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

12.3 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

12.4 Fair value reserve

The fair value reserve relates to the fair valuation of financial assets categorised as available-for-sale.

12.5 Treasury shares

The shareholders of the Company, by an ordinary resolution passed in the annual general meeting held on 27 May 2011, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 24,000 of its issued ordinary shares from the open market at an average price of RM0.623 per share. The total consideration paid was approximately RM14,955 including transaction cost of RM180. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2011, the Group held 2,570,100 (2010: 2,546,100) of the Company's shares. The number of outstanding ordinary shares of RM1.00 each in issue after the set-off is 42,229,900 (2010: 42,253,900).

12. CAPITAL AND RESERVES (continued)

12.5 Treasury shares (continued)

Details of the shares buy-back were as follows:

2011	Average price paid RM	Highest price paid RM	Lowest price paid RM	Number of shares purchased and retained as treasury shares	Total consideration paid RM
January – March	0.840	0.840	0.840	5,000	4,246
April – June	-	-	-	-	-
July – September	0.575	0.585	0.565	15,000	8,666
October – December	0.500	0.500	0.500	4,000	2,043
2010					
January – March	0.451	0.465	0.424	66,000	29,804
April – June	0.456	0.499	0.440	121,600	56,296
July – September	0.478	0.555	0.450	53,000	26,353
October – December	-	-	-	-	-

12.6 Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained earnings at 31 December 2011 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

13. LOANS AND BORROWINGS

	Group 2011 RM'000	2010 RM'000
Current		
Bank overdraft - unsecured	2,990	-

The bank overdraft of the Group is supported by a corporate guarantee of RM7,520,000 (2010: nil) issued by the Company.

14. TRADE AND OTHER PAYABLES

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Trade					
Trade payables	14.1	10,369	9,251	-	-
Non-trade					
Other payables and accruals	14.2	7,867	8,375	195	212
Amounts due to subsidiaries	14.3	-	-	-	5,120
		7,867	8,375	195	5,332
		18,236	17,626	195	5,332

14.1 Credit terms of trade payables range from 30 to 120 days (2010: 30 to 120 days).

14.2 Included in other payables and accruals of the Group are the following: -

(i) an amount of RM1,633,000 (2010: RM436,000) accrued for the acquisition of plant and machineries; and
(ii) an amount of RM36,000 (2010: RM36,000) of deposits received from a customer of a subsidiary.

14.3 The amounts due to subsidiaries were non-trade in nature, unsecured, interest free and repayable on demand.

15. PROVISION FOR WARRANTIES

	Group 2011 RM'000	Group 2010 RM'000
At 1 January	524	450
Provisions made during the year	265	141
Provisions used during the year	(62)	(67)
At 31 December	727	524
Current	390	373
Non-current	337	151
	727	524

Warranties

The provision for warranties relates mainly to automotive brake system sold. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur most of the liability over the next few years.

16. OTHER FINANCIAL LIABILITIES

	Note	Group 2011 RM'000	Group 2010 RM'000
Written put options to non-controlling interests	23.7	707	-

The Group had written put options to non-controlling interests of certain subsidiaries. These put options provide the non-controlling interests the right to require the Group to acquire shares owned by them. These put options are exercisable from 1 January 2017 to 30 June 2020.

The fair value of the put options are calculated based on the present value of estimated settlement amounts.

17. PROFIT FOR THE YEAR

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Profit for the year is arrived at after charging:					
Allowance for slow moving inventories		-	262	-	-
Amortisation of intangible assets		82	-	-	-
Auditors' remuneration: -					
- KPMG					
- Statutory audit		145	113	40	34
- Other services		20	20	20	20
- Other auditors		24	-	-	-
Depreciation of: -					
- investment properties	4	36	42	-	-
- property, plant and equipment	3	3,855	3,726	-	-
Development expenditure expensed		5,039	-	-	-
Impairment loss on: -					
- trade receivables		276	215	-	-
- trade receivables written off		-	17	-	-
- investment property		317	-	-	-
Inventories written off		-	550	-	-
Personnel expenses (including key management personnel): -					
- Contributions to Employees Provident Fund		1,215	1,023	-	-
- Wages, salaries and others		17,400	14,452	22	18
Realised foreign exchange loss		52	23	-	-

17. PROFIT FOR THE YEAR (continued)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Profit for the year is arrived at after charging: (continued)					
Rental expenses for: -					
- plant and equipment		43	-	-	-
- premises		90	-	-	-
- warehouse and staff housing facilities		338	310	-	-
Unrealised foreign exchange loss		17	79	-	-
and after crediting:					
Dividend income from:-					
- subsidiaries (unquoted)		-	-	15,210	-
- other investments		107	-	-	-
Finance income		239	40	-	-
Foreign exchange gain: -					
- realised		224	5	62	-
- unrealised		68	23	-	-
Gain on disposal of: -					
- investment property		207	-	-	2,365
- other investments		115	389	32	10
- plant and equipment		3	109	-	-
Government grant from SMIDEC		-	216	-	-
Rental income from investment properties		195	233	-	-
Reversal of: -					
- allowance for slow moving inventories		98	-	-	-
- impairment loss on investment in a subsidiary		-	-	-	2,365
- impairment loss on trade receivables		100	103	-	-

18. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Company's Directors				
- Fees	152	144	152	144
- Remuneration	1,146	971	22	18
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	23	25	-	-
Other Directors				
- Remuneration	994	463	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	8	8	-	-
- Share-based payments	298	-	-	-
Other key management personnel:				
- Remuneration	754	741	-	-
	3,375	2,352	174	162

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers and contributes to statutory pension funds.

The estimated monetary value of Directors' benefits-in-kind is RM31,000 (2010: RM33,000).

19. FINANCE COSTS

	Group	
	2011 RM'000	2010 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- Bank overdrafts	87	2
- Bank guarantees	9	11
- Letter of credit	15	19
	111	32
Other bank charges	66	39
	177	71

20. INCOME TAX EXPENSE

Recognised in profit or loss

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Income tax expense		2,683	1,386	-	-
Major components of income tax expense include:					
Current tax expense					
Malaysia - current year		2,410	1,455	-	-
- prior years		152	(174)	-	-
Total current tax recognised in profit or loss		2,562	1,281	-	-
Deferred tax expense					
Origination and reversal of temporary differences		132	106	-	-
Over provision in prior years		(11)	(1)	-	-
Total deferred tax recognised in profit or loss	8	121	105	-	-
Total income tax expense		2,683	1,386	-	-
Reconciliation of effective tax expense					
Profit for the year		132	8,472	14,825	1,739
Total income tax expense		2,683	1,386	-	-
Profit excluding tax		2,815	9,858	14,825	1,739
Tax calculated using Malaysian tax rates at 25 percent		704	2,464	3,706	435
Non-deductible expenses		1,861	416	82	-
Non-taxable income		(23)	-	(3,788)	(435)
Utilisation of previously unrecognised deferred tax assets		-	(1,319)	-	-
Under/(Over) provided in prior years		141	(175)	-	-
		2,683	1,386	-	-

21. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group 2011 RM'000	Group 2010 RM'000
(Loss)/Profit attributable to ordinary shareholders	(490)	6,113

Weighted average number of ordinary shares:

	Group 2011 '000	Group 2010 '000
Issued ordinary shares at 1 January	44,800	44,800
Effect of treasury shares held	(2,557)	(2,461)
Weighted average number of ordinary shares at 31 December	42,243	42,339

	Group 2011 sen	Group 2010 sen
Basic (loss)/earnings per ordinary share	(1.16)	14.44

22. OPERATING SEGMENTS

The Group has four 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 Directors review 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.
Plastic resins compounding	Trading and compounding of recyclable plastic resins products.
Others	Investment holding.

22. OPERATING SEGMENTS (continued)

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Executive Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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 Directors. 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 Directors. Hence no disclosure is made on segment liability.

Geographical segments

In the current financial year, segment reporting for geographical segment is not presented as the Group predominantly operates in Malaysia.

2011	Automotive parts RM'000	Machinery parts RM'000	Plastic resins compounding RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment profit	8,298	934	(1,137)	14,817	(15,120)	7,792
Included in the measure of segment profit are:						
Revenue from external customers	87,020	18,058	4,931	-	-	110,009
Inter-segment revenue	-	3	-	-	(3)	-
Depreciation of property, plant and equipment	(3,545)	(215)	(94)	(1)	-	(3,855)
Depreciation of investment properties	(6)	(30)	-	-	-	(36)
Amortisation of intangible assets	-	-	(82)	-	-	(82)
Impairment of investment properties	-	(317)	-	-	-	(317)
Not included in the measure of segment profit but provided to Group Executive Directors:						
Development expenditure	-	(5,039)	-	-	-	(5,039)
Finance costs	(74)	(9)	(94)	-	-	(177)
Finance income	193	43	-	3	-	239
Income tax expense	(2,256)	(427)	-	-	-	(2,683)

22. OPERATING SEGMENTS (continued)

2011	Automotive parts RM'000	Machinery parts RM'000	Plastic resins compounding RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment assets	65,548	19,906	12,492	67,228	(64,911)	100,263
Included in the measure of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets	4,709	107	-	2,677	-	7,493
Intangible assets	-	-	1,507	-	-	1,507

2010	Automotive parts RM'000	Machinery parts RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment profit	9,700	785	1,722	(2,318)	9,889
Included in the measure of segment profit are:					
Revenue from external customers	82,360	15,164	-	(37)	97,487
Inter-segment revenue	37	-	-	(37)	-
Inventories written off	(550)	-	-	-	(550)
Depreciation of property, plant and equipment	(3,411)	(314)	(1)	-	(3,726)
Not included in the measure of segment profit but provided to Group Executive Directors:					
Finance costs	(62)	(9)	-	-	(71)
Finance income	4	26	10	-	40
Income tax expense	(1,041)	(345)	-	-	(1,386)
Segment assets	73,502	29,124	57,779	(63,706)	96,699
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	2,621	388	-	-	3,009

22. OPERATING SEGMENTS (continued)

Reconciliations of reportable segment revenues and profit or loss

	2011 RM'000	2010 RM'000
Profit or loss		
Total profit or loss for reportable segments	7,792	9,889
Development expenditure expensed	(5,039)	-
Finance costs	(177)	(71)
Finance income	239	40
Consolidated profit before tax and discontinued operations	2,815	9,858
Income tax expense	(2,683)	(1,386)
Consolidated profit from continuing operations	132	8,472

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue 2011 RM'000	Revenue 2010 RM'000	Segment
Customer A	20,294	19,515	Automotive parts
Customer B	10,251*	11,630	Automotive parts
Customer C	11,838	10,792	Automotive parts
Customer D	5,379*	10,080	Automotive parts

* The balances were presented for comparative purposes as they were one of major customers of the Group which contributed equal or more than 10% of the Group total revenue in year 2010.

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:
(a) Loans and receivables (L&R);
(b) Available-for-sale financial assets (AFS); and
(c) Other liabilities (OL).

Financial assets	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
2011			
Group			
Other investments	5,005	-	5,005
Trade and other receivables	29,553	29,553	-
Cash and cash equivalents	18,895	18,895	-
	53,453	48,448	5,005

23. FINANCIAL INSTRUMENTS (continued)

23.1 Categories of financial instruments (continued)

Financial assets	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
2011			
Company			
Trade and other receivables	267	267	-
Cash and cash equivalents	2,247	2,247	-
	2,514	2,514	-
2010			
Group			
Other investments	11,869	-	11,869
Trade and other receivables	23,296	23,296	-
Cash and cash equivalents	20,609	20,609	-
	55,774	43,905	11,869
Company			
Other investments	1,509	-	1,509
Trade and other receivables	26	26	-
Cash and cash equivalents	534	534	-
	2,069	560	1,509
Financial liabilities			
2011			
Group			
Loans and borrowings	(2,990)	(2,990)	-
Trade and other payables	(18,236)	(18,236)	-
Other financial liabilities	(707)	(707)	-
	(21,933)	(21,933)	-
Company			
Trade and other payables	(195)	(195)	-
2010			
Group			
Trade and other payables	(17,626)	(17,626)	-
Company			
Trade and other payables	(5,332)	(5,332)	-

23. FINANCIAL INSTRUMENTS (continued)

23.2 Net gains and losses arising from financial instruments:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Available-for-sale	305	288	32	9
Loans and receivables	140	(105)	-	-
Financial liabilities	(32)	(146)	-	-
	413	37	32	9

23.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

23.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities. The Company's exposure to credit risk arises principally from financial guarantees given to banks for credit facilities granted to certain subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Formal credit evaluations are performed on new customers while periodic informal credit evaluations are performed for monitoring purposes.

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

23. FINANCIAL INSTRUMENTS (continued)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The ageing of receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2011			
Not past due	18,530	-	18,530
Past due 0-30 days	2,797	-	2,797
Past due 31-120 days	4,329	-	4,329
Past due more than 120 days	1,068	(506)	562
	26,724	(506)	26,218
2010			
Not past due	16,429	-	16,429
Past due 0-30 days	3,206	(83)	3,123
Past due 31-120 days	1,299	(9)	1,290
Past due more than 120 days	307	(238)	69
	21,241	(330)	20,911

The movement in the allowance for impairment losses of trade receivables during the financial year were:

	2011 RM'000	2010 RM'000
At 1 January	330	235
Impairment loss recognised	276	215
Impairment loss reversed	(100)	(103)
Impairment loss written off	-	(17)
At 31 December	506	330

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Other investments

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with reputable financial institutions.

23. FINANCIAL INSTRUMENTS (continued)

23.4 Credit risk (continued)

Other investments (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in unit trust (Note 7) with reputable financial institutions. The maximum exposure to credit risk is represented by the carrying amounts as disclosed in Note 23.4.

These investments are unsecured.

Impairment losses

As at the end of the reporting period, there was no indication that the investments are not recoverable.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM17,100,000 (2010: RM11,200,000) 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. Accordingly, the financial guarantees have not been recognised.

23.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

23. FINANCIAL INSTRUMENTS (continued)

23.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Contractual interest rate	Carrying amount RM'000	Contractual cash flows RM'000	Under 1 year RM'000
2011				
Bank overdrafts	8.1%	2,990	2,990	2,990
Trade payables	-	10,369	10,369	10,369
Non-trade payables	-	7,867	7,867	7,867
2010				
Trade payables	-	9,251	9,251	9,251
Non-trade payables	-	8,375	8,375	8,375
Company				
2011				
Non-trade payables	-	195	195	195
2010				
Non-trade payables	-	5,332	5,332	5,332

23.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

23.6.1 Currency risk

The Group's exposure to foreign currency risk is on purchases that are denominated in currencies other than the functional currencies of the Group entities. The currencies giving rise to this risk are primarily US Dollar (USD), Japanese Yen (JPY), Euro Dollar (EUR), Singapore Dollar (SGD), Thailand Baht (THB) and Australian Dollar (AUD).

Risk management objectives, policies and processes for managing the risk

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.

23. FINANCIAL INSTRUMENTS (continued)

23.6. Market risk (continued)

23.6.1 Currency risk (continued)

Exposure to foreign currency risk

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

Group	Denominated in USD RM'000	JPY RM'000	EUR RM'000	SGD RM'000	THB RM'000	AUD RM'000
2011						
Trade receivables	871	-	-	-	-	-
Cash and cash equivalents	2,371	-	7	-	-	-
Trade payables	(1,966)	(172)	(309)	-	-	(50)
Other payables	-	(1,242)	-	(65)	(14)	-
Exposure in the statement of financial position	1,276	(1,414)	(302)	(65)	(14)	(50)
2010						
Other receivables	309	317	-	-	-	-
Trade payables	(1,187)	(93)	(272)	-	-	(21)
Other payables	-	-	-	(30)	(28)	-
Exposure in the statement of financial position	(878)	224	(272)	(30)	(28)	(21)

Currency risk sensitivity analysis

A 10% strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

	Equity 2011 RM'000	Equity 2010 RM'000	Profit or loss 2011 RM'000	Profit or loss 2010 RM'000
USD	(96)	66	(96)	66
JPY	106	(17)	106	(17)
EUR	23	20	23	20

A 10% weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

The exposure to currency risk of the Group on SGD, THB and AUD is not material and hence, sensitivity analysis is not presented.

23. FINANCIAL INSTRUMENTS (continued)

23.6. Market risk (continued)

23.6.2 Interest rate risk

The Group's exposure to changes in interest rates relates primarily to borrowings. There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate risk is monitored on an ongoing basis and the Group endeavours to keep the exposure at an acceptance level.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fixed rate instruments				
Deposits placed with licensed banks	5,130	-	-	-
Floating rate instruments				
Bank overdraft	(2,990)	-	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

	Equity		Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
2011				
Floating rate instrument	(22)	22	(22)	22

23.6.3 Other price risk

Equity price risk arises from the Group's investments in unit trust.

23. FINANCIAL INSTRUMENTS (continued)

23.6. Market risk (continued)

23.6.3 Other price risk (continued)

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the investments in unit trust on a portfolio basis. All buy and sell decisions are approved by Board of Directors of the Group.

Other investment risk sensitivity analysis

A 10% (2010: 10%) increase in equity and debt securities market prices at the end of the reporting period would have increased equity by RM501,000 (2010: RM1,187,000) for investment classified as available for sale. A 10% (2010: 10%) weakening in equity and debt securities market prices would have had equal but opposite effect on equity.

23.7 Fair value of financial instruments

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

The fair values of other financial assets and other financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2011		2010	
Group	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Investments in unit trust, quoted	5,005	5,005	11,869	11,869
Other financial liabilities	(707)	(707)	-	-
	4,298	4,298	11,869	11,869
Company				
Investments in unit trust, quoted	-	-	1,509	1,509

Investment in equity securities

The fair values of the financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Other financial liabilities

The fair values of the put options are calculated based on the present value of estimated settlement amounts.

23.8 Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of the exemption provided in paragraph 44G of FRS 7.

23. FINANCIAL INSTRUMENTS (continued)

23.8 Fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2011				
Financial assets				
Investment in unit trust, quoted	5,005	-	-	5,005
Financial liabilities				
Other financial liabilities	-	-	(707)	(707)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Note	2011 RM'000
Balance at 1 January		-
Arising from business combination	16	707
Balance at 31 December		707

24. 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 a consolidated shareholders' equity that complies with regulatory requirements.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

25. OPERATING LEASES

Leases as lessor

The Group leases out its investment properties under operating leases (see Note 4). The future minimum lease payments under non-cancellable leases are as follows:

	2011 RM'000	2010 RM'000
Less than one year	108	164
Between one and five years	9	117

26. RELATED PARTIES

Identity of related parties

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

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

Group 2011	Amount transacted for the year ended 31 December RM'000	Gross balance outstanding at 31 December RM'000	Allowance for impairment loss at 31 December RM'000	Net balance outstanding at 31 December RM'000
San Yes Automotive Technology Co. Ltd. ("San Yes")				
Royalties	1	-	-	-
Purchase of raw materials	239	-	-	-
Purchase of consumables	8	-	-	-
Sugihara Co. Ltd. ("SUGI-Japan")				
Product development cost	59	(3)	-	(3)
Purchase of raw materials	400	(78)	-	(78)
Royalties	403	(820)	-	(820)
Purchase of plant and machineries and moulds and jigs	1,239	(1,239)		(1,239)
Other expenses	41	-	-	-

26. RELATED PARTIES (continued)

Identity of related parties (continued)

Group 2010	Amount transacted for the year ended 31 December RM'000	Gross balance outstanding at 31 December RM'000	Allowance for impairment loss at 31 December RM'000	Net balance outstanding at 31 December RM'000
San Yes Automotive Technology Co. Ltd. ("San Yes")				
Royalties	4	-	-	-
Purchase of raw materials	304	-	-	-
Purchase of consumables	56	-	-	-
Sugihara Co. Ltd. ("SUGI-Japan")				
Technical assistance fees	40	(320)	-	(320)
Royalties	461	(2,398)	-	(2,398)
Other expenses	121	-	-	-
Company **2011 - Nil** **2010**				
Machinery and Industrial Supplies Sdn. Bhd.				
Advances	-	(5,120)	-	(5,120)

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

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 Shoso Sugihara are Directors and substantial shareholders of SUGI-Japan.

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

27. CAPITAL COMMITMENTS

	Group	
	2011 RM'000	2010 RM'000
Plant and equipment Contracted but not provided for and payable: Less than one year	4,548	748

28. ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Acquisition of subsidiary – Plaspoint Sdn. Bhd. ("Plaspoint")

On 15 June 2011, the Company via Exsilio Pte. Ltd. ("Exsilio") had entered into transaction agreement to acquire 70% equity interest in Plaspoint Sdn. Bhd. (f.k.a. All Century Streams Sdn. Bhd.) ("Plaspoint"), comprising 7,000 ordinary shares of RM600 each for a cash consideration of RM4,200,000. Plaspoint in turn acquired the plastic recycling and resins trading business from Greentown Enterprise Sdn. Bhd. ("Greentown") for a cash consideration of RM4,200,000.

In addition, one of the non-controlling interests ("NCI") of Plaspoint provided a cash security of RM1,260,000 in relation to the business acquisition guaranteeing that the profit after tax for the first guaranteed period and the second guaranteed period to be achieved by Plaspoint shall not fall below RM1,800,000 for each of the respective guaranteed period.

On the same date, Exsilio entered into a Call and Put Option agreement with the NCIs of Plaspoint. At a consideration of RM1, Exsilio is granted the call option right to purchase the shares held by the NCIs of Plaspoint, while the NCIs of Plaspoint are granted the put option right to require Exsilio to purchase their shares in Plaspoint at a predetermined price based on fixed formula set out in the agreement for a period of 3 years commencing from 1 January 2017 until 31 December 2019.

On 15 December 2011, Exsilio, Plaspoint, Greentown and certain NCIs entered into a modification agreement to vary certain terms arising from the acquisition of the plastics recycling and resins trading business.

The key changes were as follows:

(i) Certain NCIs in Plaspoint has surrendered and transferred their 25% equity interest in Plaspoint to Exsilio and mutually agreed that their rights and obligations under the Call and Put Option agreement dated 15 June 2011 shall immediately be terminated upon the transfer and surrender of the shares to Exsilio; and
(ii) Plaspoint is allowed to forfeit the cash security sum of RM1.26 million in consideration of the waiver and release of the profit guarantee provided.
(iii) The shares pertaining to the 25.5% equity interest in Plaspoint as mentioned above were transferred to Exsilio on 15 December 2011.

As a result, the Group's equity interest in Plaspoint increased to 95.5% and the purchase consideration was revised to RM2,940,000.

In the 7 months to 31 December 2011, Plaspoint contributed revenue of RM4,391,000 and incurred a net loss of RM539,000.

28. ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Acquisition of subsidiary – Plaspoint Sdn. Bhd. (continued)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	RM'000
Fair value of consideration transferred		
Cash and cash equivalents		2,940
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	3	1,351
Total identifiable net assets		1,351
Net cash arising from acquisition of subsidiary		
Purchase consideration settled in cash and cash equivalents		(2,940)
Goodwill		
Goodwill was recognised as a result of the acquisition as follows:		
Total consideration transferred		2,940
Fair value of identifiable net assets		(1,351)
Intangible assets		(977)
Goodwill recognised		612

Acquisition-related costs

The Group incurred acquisition-related costs of RM106,000 related to external legal fees. The legal fees have been included in other operating expenses in the Group's consolidated statement of comprehensive income.

29. SIGNIFICANT EVENTS DURING THE YEAR

On 15 June 2011, the Company and Exsilio Pte Ltd ("Exsilio") entered into a call and put option agreement with the Managing Director ("MD") of Exsilio and its subsidiaries. Exsilio had agreed to grant a call option right to subscribe for 3.33% or 3.34% of the existing paid up capital of Exsilio for a consideration of S$1 ("Call Option Price") commencing from the date of agreement for a period of 5 years ("Call Option Period"). In addition, the Company agreed to grant the MD a put option right to require the Company to purchase the shares held by the MD in the Exsilio at a predetermined price based on fixed formula set out in the agreement for a period of 3 years commencing from 1 July 2017 until 30 June 2020 ("Put Option Period").

The exercise of the call option is subject to the achievement of a certain fixed minimum consolidated profit after tax of the Exsilio's subsidiary, Plaspoint Sdn Bhd (f.k.a All Century Streams Sdn Bhd) ("Plaspoint"), and the MD can only exercise his option to subscribe and purchase for the Exsilio's shares upon confirmation and signing of the audited financial statements.

Upon the signing of management services agreement in October 2011, the MD was granted 130,209 shares representing 3.33% of existing paid up capital of Exsilio. In December 2011, 130,209 shares of Exsilio was issued and transferred to the MD. This resulted in an employee cost expense of RM298,000 being recognised in profit or loss of the Group during the current financial year.

30. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	58,495	59,325	18,687	3,862
- Unrealised	251	(735)	-	-
	58,746	58,590	18,687	3,862
Less: Consolidation adjustments	(35,245)	(33,432)	-	-
Total retained earnings	23,501	25,158	18,687	3,862

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Shareholdings Statistics
as at 20 April 2012

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM 60,000,000
Issued and paid- up Share Capital	:	RM 44,800,000
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per share

(Against Total Issued Capital of 42,224,900)

Size of Holdings	No of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities*	% of Issued Capital *
1 - 99	10	0.81	339	0.0008
100 - 1,000	304	24.64	282,825	0.6698
1,001 - 10,000	667	54.05	3,221,500	7.6294
10,001 - 2,112,444	250	20.26	17,380,900	41.1627
2,112,445 and above	3	0.24	21,339,336	50.5373
Total	1,234	100.00	42,224,900	100.0000

Total No. of Shareholders / Depositors	:	1,234
Total Shareholdings / Securities	:	42,224,900*
Total Percentage (%)	:	100.0000

* Excludes 2,575,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 20 April 2012.

LIST OF TOP 30 SHAREHOLDERS / DEPOSITORS

No	Name	Normal Holding	Holdings Percentage % *
1	MIYES HOLDINGS SDN BHD	15,680,000	37.13
2	HSBC NOMINEES (ASING) SDN BHD [EXEMPT AN FOR BSI SA (BSI BK SG-NR)]	3,520,000	8.34
3	MOHD RIANI BIN OSMAN	2,139,336	5.07
4	CHANG KUN-SHENG	1,948,700	4.61
5	YAP SIEW FOONG	1,263,730	2.99
6	NG ENG BEE	806,838	1.91
7	NG WAI KEE	640,900	1.52
8	NG ENG BEE	560,000	1.33
9	TAN EE SENG	479,000	1.13
10	YEOH KEAN HUA	430,000	1.02
11	ENG KIM LIAN	380,964	0.90
12	CHONG TECK HOO @ CHAM TECK HOO	362,089	0.86
13	CHAM BEE SENG @ CHIAM BEE SENG	350,089	0.83
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON (E-BMM)	336,200	0.80
15	TEO TIN LUN	280,400	0.67
16	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR MOHD RIANI BIN OSMAN (SMART)	250,000	0.59
17	TAN KAI SENG @ TANG KIA SENG	227,000	0.54
18	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE HA SING	225,000	0.53
19	CHEE HIAN BOON @ CHEE AH DECK	189,000	0.45
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI GUAN (474333)	170,000	0.40
21	CHAN SENG CHEONG	157,500	0.37
22	FOO TECK SENG	150,000	0.36
23	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY TENG HUP (M01)	150,000	0.36
24	CHAM BEE SIM	149,572	0.35
25	NG KWEE ENG	142,018	0.34
26	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY YAN WAH (M)	140,000	0.33
27	OOI CHEE MIN	138,900	0.33
28	CHEAK YEW KUN	136,100	0.32
29	LIU SIN	130,000	0.31
30	LEE ANG EE	129,000	0.31
TOTAL		31,662,336	75.00

*Excludes 2,575,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 20 April 2012.

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 20 APRIL 2012

Name of Substantial Shareholder	Direct Interest No. of Shares	Direct Interest % of Issued Capital*	Indirect Interest No. of Shares	Indirect Interest % of Issued Capital*
MIYES Holdings Sdn Bhd ("MIYES")	15,680,000	37.13	-	-
Umberston Holdings Sdn Bhd ("Umberston")	-	-	15,680,000(1)	37.13
San Yes Automotive Technology Co., Ltd	-	-	15,680,000(1)	37.13
Ng Kwee Eng	142,018	0.34	15,680,000(2)	37.13
Yap Siew Foong	1,263,730	2.99	15,680,000(2)	37.13
Mohd Riani bin Osman	2,389,336	5.66	-	-

* Excludes 2,575,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 20 April 2012.

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

DIRECTORS'SHAREHOLDING AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 20 APRIL 2012

Name of Director	Direct Interest No. of Shares	Direct Interest % of Issued Capital*	Indirect Interest No. of Shares	Indirect Interest % of Issued Capital*
Mohd Riani bin Osman	2,389,336	5.66	-	-
Yap Siew Foong	1,263,730	2.99	15,680,000(1)	37.13
Ng Wai Kee	700,900	1.66	-	-
Cham Bee Sim	249,572	0.59	-	-
Danny Ng Siew L'Leong	-	-	-	-
Pauline Teh @ Pauline Teh Abdullah	-	-	-	-
Mohamed Ghazali bin Kamal Baharein	-	-	-	-
Foo Lee Khean	-	-	-	-

* Excludes 2,575,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 20 April 2012.

(1) deemed interested through Umberston and MIYES

Particulars of Properties

Registered Beneficial Owner	Location	Date of Valuation	Description and Existing Use	Tenure	Approximate Age of Property (Year)	Built Up area (Sq.m)	Net book Value as at 31 December 2011 (RM)
Machinery & Industrial Supplies Sdn Bhd	No 19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur.	June 1, 2000	Industrial land erected with a double storey detached warehouse with 3–storey frontal office. Office and warehouse.	Leasehold 66 years	15	3,866.50	2,577,200
Grand Carpet Industries Sdn Bhd	Lot 3, Jalan Sultan Hishamuddin 2, Kawasan Perusahaan Selat Kelang Utara, 42000 Port Klang, Selangor.	June 1, 2000	Industrial land erected with single and double storey office annexed. Office and factory.	Leasehold 99 years	20	10,310.26	5,994,835
Sanyco Grand Industries Sdn Bhd	No 3, Jalan U1/15, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor.	June 1, 2000	Industrial land erected with two single storey factories with office annexed. Office and factory.	Freehold	13	2,140.37	3,490,456
Machinery & Industrial Supplies Sdn Bhd	No. 50 & 52, Jalan Brunei Utara, Kuala Lumpur.	June 1, 2000	2 adjoining units of 4–storey shop office. The ground floor to the second floor are rented out whilst the third floor is vacant.	Freehold	32	1,197.10	274,887
Machinery & Industrial Supplies Sdn Bhd	No 21 & 23 (Developer's Plot No.119 & 118), Taman Kenanga, Bandar Baru Salak Tinggi, 83800 Dengkil, Selangor Darul Ehsan.	Dec 23, 2005	Two units of an intermediate and end lot of 3–storey shophouse. The property is vacant.	Freehold	11	429.21	NIL
Grand Carpet Industries Sdn Bhd	Parcel No.A-42-09 (E), Berjaya Star City, Jalan Imbi, Section 52, 55100 Kuala Lumpur.	June 1, 2000	A 42nd Floor service suite within a high-rise commercial building housing retails and service apartment block. Rented.	Freehold	9	53.70	246,753
PT Zusma Plastics	Suryacipta City of Industry, Jl. Surya Madya IV Kav I-28 J, Kutanegara Village, Ciampel, Karawang, West Java 41361, Indonesia.	Aug 23, 2011	Industrial land. The land is vacant.	Leasehold 17 years	1	7,012.00	1,234,814

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Company will be held at Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Friday, 8 June 2012 at 10.00 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2011 together with the Directors' and Auditors' Reports thereon. ***Ordinary Resolution 1***

2. To approve the increase of Directors' Fees to RM152,000 for the financial year ended 31 December 2011 and the payment thereof. ***Ordinary Resolution 2***

3. To re-elect the following Directors retiring under Article 103 of the Company's Articles of Association:-

   i) Mr Ng Wai Kee ***Ordinary Resolution 3***
   ii) Ms Yap Siew Foong ***Ordinary Resolution 4***
   iii) Mr Cham Bee Sim ***Ordinary Resolution 5***

4. To appoint Messrs Baker Tilly Monteiro Heng as the Auditors of the Company in place of the existing Auditors, Messrs KPMG and to authorise the Directors to fix their remuneration.

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 (a copy of which is annexed and marked as "Annexure A" in the Annual Report 2011) has been received by the Company for the nomination of Messrs Baker Tilly Monteiro Heng who have given their consent to act, for appointment as Auditors in place of the retiring Auditors, Messrs KPMG and of the intention to propose the following ordinary resolution:-

   "That Messrs Baker Tilly Monteiro Heng of 22-1, Jalan Tun Sambanthan 3, 50470 Kuala Lumpur, Malaysia having consent to act, be and are hereby appointed as the new Auditors of the Company for the financial year ending 31 December 2012 at a fee to be determined by the Directors and shall hold office until the conclusion of the next Annual General Meeting, in place of the retiring Auditors, Messrs KPMG." ***Ordinary Resolution 6***

As Special Business

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

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

   "THAT pursuant to Section 132D 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 Annual General Meeting ("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 issued share capital 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." ***Ordinary Resolution 7***

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

"THAT, pursuant to Paragraph 10.09 of the 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 2.3 of Part A of the Circular to Shareholders dated 17 May 2012 with the related parties mentioned therein which are necessary for the SMIS Group's day-to-day operations, subject further to the following:-

(i) the transactions are in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

(ii) disclosure of the aggregate value of the transactions of the Proposed Shareholders' Mandate conducted during the financial year will be disclosed in the Annual Report for the said financial year,

AND THAT such approval 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 143(1) of the Act (but must not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate." ***Ordinary Resolution 8***

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

"THAT subject to the Act, the Memorandum and Articles of Association 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 and/or share premium of the Company as at 31 December 2011 of RM18.7 million and RM4.9 million respectively to purchase such amount of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;

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

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

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

(i) the conclusion of the next AGM of the Company [being the Fourteenth ("14th") 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 14th AGM of the Company is required by law to be held; or
(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

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

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

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

Selangor Darul Ehsan
Date: 17 May 2012

NOTES:

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

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

3. 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 is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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

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

6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 31 May 2012 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

7. **EXPLANATORY NOTES ON SPECIAL BUSINESS**

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

   The Company had, during its Twelfth Annual General Meeting ("AGM") held on 27 May 2011, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

   Ordinary Resolution 7 proposed under item 5 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D 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 issued share capital (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company. 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 next AGM.

   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.

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

Ordinary Resolution 8 proposed under item 6 of the Agenda, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions 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 Group or affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.

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

The proposed Ordinary Resolution 9, 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 14th 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 17 May 2012 which was despatched together with this Annual Report.

"ANNEXURE A"

MIYES Holdings Sdn. Bhd.

(Co. No. 491842-U)

Date: 30 April 2012

The Board of Directors
SMIS CORPORATION BERHAD
Lot 6.05, Level 6
KPMG Tower
8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

NOTICE OF NOMINATION OF MESSRS BAKER TILLY MONTEIRO HENG

Pursuant to Section 172(11) of the Companies Act, 1965, we, MIYES Holdings Sdn Bhd, being a substantial shareholder of the Company, hereby give notice of my intention to nominate Messrs Baker Tilly Monteiro Heng for appointment as the new Auditors of the Company in place of the retiring Auditors, Messrs KPMG and our intention to propose the following resolution to be tabled as an ordinary resolution at the forthcoming Thirteenth Annual General Meeting of the Company:-

Ordinary Resolution

"That Messrs Baker Tilly Monteiro Heng of 22-1, Jalan Tun Sambanthan 3, 50470 Kuala Lumpur, Malaysia having consent to act, be and are hereby appointed as the new Auditors of the Company for the financial year ending 31 December 2012 at a fee to be determined by the Directors and shall hold office until the conclusion of the next Annual General Meeting, in place of the retiring Auditors, Messrs KPMG."

Thank you.

Yours faithfully
For MIYES Holdings Sdn Bhd

....

NG WAI KEE
Director

No. 19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur, Malaysia.
Tel : (603) 9221 9898 Fax : (603) 9221 7878

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PROXY FORM

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

Number of shares held	CDS Account No.

I/We, ...
of ....
being a member of SMIS CORPORATION BERHAD hereby appoint ....
of ....
or failing him/her ....
of ....
or failing him/her, *the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Friday, 8 June 2012 at 10.00 a.m. and at any adjournment thereof in respect of my/our shareholding in the manner indicated below:

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

No.	Resolution	For	Against
Ordinary Resolution 1	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2011 together with the Directors' and Auditors' Report thereon		
Ordinary Resolution 2	Approval on the increase and payment of Directors' Fees for the financial year ended 31 December 2011		
Ordinary Resolution 3	Re-election of Mr Ng Wai Kee as Director (Article 103)		
Ordinary Resolution 4	Re-election of Ms Yap Siew Foong as Director (Article 103)		
Ordinary Resolution 5	Re-election of Mr Cham Bee Sim as Director (Article 103)		
Ordinary Resolution 6	Appointment of Messrs Baker Tilly Monteiro Heng as Auditors in place of the existing auditors, Messrs KPMG and to authorise the Directors to fix their remuneration		
Ordinary Resolution 7	Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		
Ordinary Resolution 8	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 9	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares		

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

Dated this ....day of 2012

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

1st proxy ....%
2nd proxy ....%
100%

....
Signature of Shareholder or
Common Seal of Shareholder

NOTES:

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

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

3. 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 is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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

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

6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 31 May 2012 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

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STAMP

THE SECRETARY
SMIS CORPORATION BERHAD
LOT 6.05, LEVEL 6
KPMG TOWER
8 FIRST AVENUE
BANDAR UTAMA
47800 PETALING JAYA
SELANGOR DARUL EHSAN
MALAYSIA

Please fold here to seal

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

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