ANNUAL REPORT 2012

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Group Structure

- 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.** (In Members' Voluntary Liquidation)
- 96.67% **EXSILIO PTE. LTD.**
  - 100% **PT ZUSMA PLASTICS**
  - 95.5% **PLASPOINT SDN. BHD.**

Corporate Information

BOARD OF DIRECTORS

Ahmad @ Misron bin Yusof
(Independent Non-Executive Director)
(Chairman)
(Appointed on 30 November 2012)

Ng Wai Kee
(Executive Director and Chief Executive Offier)

Yap Siew Foong
(Executive Director)

Foo Lee Khean
(Senior Independent Non-Executive Director)

Wern Li Morsingh
(Independent Non-Executive Director)
(Appointed on 28 November 2012)

AUDIT COMMITTEE

Foo Lee Khean
(Senior Independent Non-Executive Director)
(Chairman)
(Appointed as Chairman of Audit Committee on 22 February 2013)

Wern Li Morsingh
(Independent Non-Executive Director)
(Appointed as member of Audit Committee on 28 November 2012)

Ahmad @ Misron bin Yusof
(Independent Non-Executive Director)
(Appointed as member of Audit Committee on 22 February 2013)

NOMINATION COMMITTEE

Foo Lee Khean
(Senior Independent Non-Executive Director)
(Chairman)
(Appointed as Chairman of Nomination Committee on 22 February 2013)

Wern Li Morsingh
(Independent Non-Executive Director)
(Appointed as member of Nomination Committee on 22 February 2013)

Ahmad @ Misron bin Yusof
(Independent Non-Executive Director)
(Appointed as member of Nomination Committee on 30 November 2012)

REMUNERATION COMMITTEE

Ahmad @ Misron bin Yusof
(Independent Non-Executive Director)
(Chairman)
(Appointed as Chairman of Remuneration Committee on 30 November 2012)

Foo Lee Khean
(Senior Independent Non-Executive Director)
(Appointed as member of Remuneration Committee on 22 February 2013)

Ng Wai Kee
(Executive Director and Chief Executive Offier)

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: 03-77201111

AUDITORS

Baker Tilly Monteiro Heng (AF 0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur, Wilayah Persekutuan.

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.

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: 03-77201111

Stock Exchange Listing

Bursa Malaysia Securities Berhad (Main Market)

WEBSITE

http://www.smis.com.my

Summary of Financial Highlights

In thousands of RM	2008	2009	2010	2011	2012
Revenue	81,257	67,803	97,487	110,009	115,639
Profit before tax	3,390	3,823	9,858	2,815	3,365
Profit for the year	2,274	3,230	8,472	132	1,232
Profit attributable to owners	785	4,605	6,113	(490)	854
Total equity attributable to owners	63,819	67,713	73,882	72,218	72,798
Total assets	83,101	85,675	96,699	100,263	109,939
Total liabilities	(19,282)	(17,703)	(20,199)	(24,046)	(32,768)
Total borrowings	-	-	-	(2,990)	(7,591)

Growth rate over previous years	2008	2009	2010	2011	2012
Revenue	14.7%	(16.6%)	43.8%	12.8%	5.1%
Profit before tax	(3745.2%)	12.8%	157.9%	(71.4%)	19.5%
Profit for the year	(721.3%)	42.0%	162.3%	(98.4%)	833.3%
Total equity attributable to owners	0.6%	6.1%	9.1%	(2.3%)	0.8%
Total assets	1.7%	3.1%	12.9%	3.7%	9.7%
Total liabilities	5.5%	(8.2%)	14.1%	19.0%	36.3%
Total borrowings	n/a	* n/a	* n/a	*n/a	153.9%

Share information	2008	2009	2010	2011	2012
Basic earnings per share (sen)	1.82	10.81	14.44	(1.16)	2.02
Net assets per share (RM)	1.42	1.51	1.65	1.61	1.62

Financial ratio	2008	2009	2010	2011	2012
Return on equity attributable to owners	3.56%	4.77%	11.47%	0.18%	1.69%
Return on total assets	2.74%	3.77%	8.76%	0.13%	1.12%
Debt equity ratio	* n/a	* n/a	* n/a	0.04	0.10

Remark :

* n/a = not applicable

DIRECTORS' PROFILE

Ahmad @ Misron Bin Yusof
Chairman, Independent Non-Executive Director

Ahmad @ Misron bin Yusof, a Malaysian, aged 69, was appointed to the Board of Directors of SMIS on 30 November 2012 as an Independent Non-Executive Director and Chairman of the Board of Directors of SMIS.

He is an engineer by training. He graduated with a Professional Diploma in Engineering and also holds a Master of Science in Industrial Management from Brighton Polytechnic, UK. He has a Certificate in Policy for Public Enterprise from Harward University, USA.

He began his career with Lembaga Letrik Negara (currently known as Tenaga Nasional Berhad) as a pupil engineer in 1967. In 1969 he was made Distribution Engineer of LLN Johor Bahru before being promoted in 1973 as Senior Education & Training Officer of LLN, HQ. He continued his career with LLN where he held the post of Senior Management Analyst/Deputy Director of Management Service in 1977 and was subsequently promoted as Director, Training Institute, LLN, Bangi. He left LLN and joined Federal Power Sdn Bhd in 1987 as Chief Executive/Managing Director where he retired for the post in 1998. He is currently the Chair/Executive Coach of Vistage International (formerly known as TEC International) Malaysia, a position he held since 1999. He is a Professional Engineer on the Board of Engineers, a member of the Institute of Engineers, and a member of the Malaysian Institute of Management.

He is currently a director of Syarikat Permodalan Kebangsaan Bhd (since 2001), Hayat Insurance Brokers Sdn Bhd (since 2008) and Ambience Consulting Sdn Bhd (since 1999). He is also the Chairman of Remuneration Committee and is a member of the Audit and Risk Committee and 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.

Ng Wai Kee
Executive Director and Chief Executive Officer

Ng Wai Kee, a Malaysian, aged 42, was appointed as an Executive Director of SMIS on 2 February 2002 and assumed the position of the Chief Executive Officer in 2013.

He holds a Bachelor of Accounting from the University of Technology, Sydney, Australia and is an Associate member of the Institute of Chartered Accountants, Australia. He has worked as a project consultant in Westpac Banking Corporation, Sydney in 1992 and with Deloitte Touche Tohmatsu, Sydney in 1993. He left the firm as a Senior Analyst in 1996. Since 1997, he has been instrumental in many milestones achieved by SMIS, namely securing a Joint Venture with Sugihara Co., Ltd., Japan and listing the group on Bursa Malaysia. Currently, he is responsible for the strategic direction and operational management of SMIS where he continues to drive for growth, efficiency and tighter corporate governance to ensure greater shareholder value.

He is also a member of the Remuneration Committee.

He does not hold any other directorship of public companies. He is son of Yap Siew Foong, a Director and major shareholder of the Company. Save as disclosed on page 104 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 69, 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. Save as disclosed on page 104 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.

Profile of Directors
(continued)

Foo Lee Khean
Senior 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 also the Chairman of Audit and Risk Committee and Nomination Committee and is 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.

Wern Li Morsingh
Independent Non-Executive Director

Wern-Li Morsingh, a Malaysian, aged 40, was appointed to the Board of Directors of SMIS on 28 November 2012 as an Independent Non-Executive Director.

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

She served as a legal assistant in the intellectual property department of Raja, Darryl & Loh from September 1997 to May 1999 and as a legal assistant in the corporate department of Cheang & Ariff from June 1999 to May 2000 in Kuala Lumpur prior to serving as a foreign lawyer in the corporate department of Drew & Napier and as a legal assistant in the corporate department of Colin Ng & Partners in Singapore from 2000 to 2002. She also served as a legal assistant in the financial services department of Kadir, Andri & Partners in Kuala Lumpur from 10 March 2003 to 31 December 2006.

She is currently a partner of Aznin, Wern Li & Associates. She is a member of the Audit and Risk Committee and Nomination 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.

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

Chairman's Statements

I am pleased to present the Annual Report and the Audited Financial Statements of SMIS Corporation Berhad ("SMIS").

Financial Performance

The business conditions in the sectors that the Group operates continued to be challenging throughout the year. Nevertheless, the Group was able to register satisfactory performance

The Group's revenue for the year was RM116 million against RM110 million for 2011. Profit before tax grew by RM0.4 million to RM3.2 million from the previous year.

Automotive Segment

The segment recorded a 10.3% increase in turnover closing its books with RM96 million in revenue compared to RM87 million in 2011. This is commendable as the Total Industry Volume for 2012 grew by 4.6%. Making up 83% of the Group turnover, we expect this segment to continue being the main contributor to the Group. Management is consistently working on operational and cost efficiencies which become even more critical this year as the impact of the minimum wage comes into effect.

We expect the segment to remain stable with marginal growth expectations in line with the Malaysian Automotive Association forecast of a 2% growth in the Total Industry Volume for 2013.

Machinery Parts

Local sales for Machinery Parts remain highly competitive and price sensitive as more products offerings are made available to customers. In recent years with influx of products coming into the local market (mainly from China) the company has pushed even harder to penetrate export markets. Whilst the revenue for 2012 and the preceding years remained at RM18 million, 2012 has seen a stronger growth in its export sales against the previous year. The company will continue to explore new markets and build on existing ones.

Plastic

Revenue dropped and remained low for the most part of 2012. This is largely the effect from a weak demand for electronic products due to sharp decline for such goods from the European and American markets.

The company is now commencing several product development efforts with few customers which were put on-hold in 2012. We expect this segment to grow steadily for the coming year. Nevertheless management remains cautiously optimistic as to date the EU debt crisis seems to continue to be unresolved and demand from the US is weak.

In the year ahead the company will continue to develop new clients and product applications to cater for demand from emerging markets.

Appreciation

On behalf of the Board of Directors, I extend my appreciation to the management, staff and employees of the Group for their support and contribution throughout the year. I would also like to extend special appreciation to the Directors who retired during the year for their dedication and contribution during their tenure. Finally, on behalf of the Group, I would also like to express our gratitude to the stakeholders, shareholders, customers, suppliers and associates for their continued support and trust.

Thank you,

Ahmad @ Misron bin Yusof
Chairman

Statement on Corporate Governance

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

With the introduction of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") by the Securities Commission Malaysia, the Board has taken and is continuously reviewing, where appropriate, the necessary steps to be consistent with the requirements. This Statement sets out how the Company has applied the 8 Principles of the MCCG 2012. Where a specific Recommendation of the MCCG 2012 has not been observed, the non-observation, including the reasons thereof and steps to be taken, is included in this Statement.

Principle 1 – Establish clear roles and responsibilities of the Board and Management

The Board retains 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 3 Board Committees namely the Audit and Risk Committee ("ARC"), Nomination Committee ("NC") and Remuneration Committee ("RC"). All the Board Committees discharges their duties and responsibilities within their specific terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board

The following are principal responsibilities of the Board:

i) reviewing and adopting a strategic plan including setting performance objectives and approving operating budgets for the Group and ensuring that the strategies promote sustainability;

ii) monitoring the Company's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and within a framework of prudent and effective controls which enables risk to be assessed and managed;

iii) reviewing the procedures to identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;

iv) set, review and ensure compliance with the Company's principles, values and ethos of the Company;

v) establishing proper succession planning, including appointing, assessing, training, fixing the compensation of and where appropriate, replacing Board and senior management;

vi) developing and implementing a Corporate Disclosure Policy (including an investor relations programme or shareholder communications policy) for the Group;

vii) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and

viii) ensuring that the Company adheres to high standards of ethics and corporate behaviour.

Code of Conduct, Code of Ethics and Whistle Blowing Policy

The Company has updated the Code of Conduct for Directors, Management and Officers of the Group, to promote the corporate culture which engenders ethical conduct that permeates throughout the Company, to be in line with the MCCG 2012. The Board will take measures to put in place a process to ensure its compliance.

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

The Board is in the midst of formalising a Whistle Blowing Policy, to outline when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or improper conduct or unlawful conduct involving employee, officer or Management of the Company.

Sustainability

The Board is mindful of the importance of business sustainability which encompasses all aspects of ethical business practices, addressing relevant Environment, Social and Governance (ESG). The Board is in the midst of formalising a Sustainability Policy to endeavour to integrate the principles of sustainability into the Group's strategies, policies and procedures. The Company's activities on corporate social responsibilities for the year under review are disclosed on page 15 of this Annual Report.

Supply and access to information

To ensure effective functioning of the Board, Directors are given access to information through the following means:

i) Management may be invited to the Board and Board Committees' meetings to report or present areas within their responsibility to ensure the Board is able to effectively discharge its responsibilities.

ii) Information provided to the Board and Board Committees are compiled into reports via the Board and Board Committee papers circulated to Directors prior to the respective Board meetings, to enable the Board to make informed decisions and to deal with matters arising from such meetings.

iii) Directors have ready and unrestricted access to the advice and services of the Company Secretaries.
iv) Directors may obtain independent professional advice at the Company's expense in furtherance of their duties, where this is deemed necessary, after consultation with the Chairman and other Board members.

Company Secretary

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

The Company Secretary is suitably qualified, competent and capable of carrying out the duties required and has attended training and seminars conducted by The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) to keep abreast with the relevant updates on statutory and regulatory requirements.

The Company Secretary attends all the Board and Board Committees' meetings and ensures that meetings are properly convened, and that accurate and proper records of the deliberations, proceedings and resolutions passed are recorded and maintained accordingly.

Board Charter

The Board has adopted a Board Charter which serves as a reference point for Board activities and provides guidance and clarity for Directors and Management with regard to the roles and responsibilities of the Board and its Committees. Steps will be taken to upload the Board Charter on the Company's website.

Principle 2 – Strengthen Composition of the Board

Board Composition and Balance

The Board consists of five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. This composition complies with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") that requires at least two (2) directors or one-third (1/3) of the Board, whichever is higher, to be independent. None of the Directors hold more than 5 directorships in listed issuer in Malaysia. A brief profile of each Director is presented on pages 5 to 7 of this Annual Report.

NC

The NC comprises 3 members, all of whom are Independent Non-Executive Directors. The members are as follows:-

Fee Lee Khean	Chairman (Senior Independent Non-Executive Director) – Appointed as Member of NC on 30 November 2012 and as Chairman of NC on 22 February 2013
Ahmad @ Misron bin Yusof	Member (Independent Non-Executive Director) – Appointed as Member of NC on 30 November 2012
Wern Li Morsingh	Member (Independent Non-Executive Director) – Appointed as Member of NC on 22 February 2013

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

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

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

During the financial year under review, one (1) Committee meeting was held and attended by majority of its members. During the meeting held in November 2012, the NC reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-Executive Directors; independence of the Independent Directors, the contribution of each individual Director; effectiveness of the Board, as a whole, and the Board Committees and also the retirement of Directors by rotation who were eligible for re-election. The Board also reviewed the character, experience, integrity and competence of the Directors, CEO and Chief Financial Officer, to ensure they have the time to discharge their respective roles.

The Chairman of the NC is also the Senior Independent Director appointed by the Board.

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

Gender Diversity

The Board does not have a specific policy on setting targets for women candidate. The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. Nevertheless, the Board currently has two (2) female Directors out of a total of 5 Directors.

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 2012 are as follows:

No	Name of Director	Programme
1	Yap Siew Foong Ahmad @ Misron bin Yusof [(1)] WernLi Morsingh [(2)]	a) Malaysian Code on Corporate Governance 2012 b) Latest updates on Listing Requirements of Bursa Malaysia Securities Berhad c) Guidelines on Statement of Risk Management & Internal Control by the Institute of Internal Auditors Malaysia
2	Ng Wai Kee	The Malaysian Code of Corporate Governance 2012: The Implication and Changes to Public Listed Companies
3	Danny Ng Siew L'Leong [(3)]	Malaysian Budget 2013, Tax Changes and The Impact of Businesses
4	Foo Lee Khean	Debt Capital Market: Understanding the Bond Market Role of the Audit Committee in Assuring Audit Quality Malaysian Budget 2013 – Tax Changes and the Impact on Businesses Debt Capital Market: Mechanics of Bond Issuance and Trading
5	Pauline Teh @ Pauline Teh Abdullah [(4)]	2nd Annual Women in Leadership Forum Asia 2012 Introduction to Family and Non Family Business Succession Planning, Asset Protection and Preservation via a Generational Wealth Strategy Financial Modelling (Excel-based) Training Islamic Banking Workshop in Muscat
7	Mohamed Ghazali bin Kamal Baharein [(5)]	Harvard Business School Alumni Club: Senior Management Development
6	Mohd Riani bin Osman [(6)] Cham Bee Sim [(7)]	Lean Production System: Training on the Progress of Toyota Production Project

Notes:
(1) Appointed on 30 November 2012
(2) Appointed on 28 November 2012
(3) Resigned on 22 February 2013
(4) Resigned on 30 November 2012
(5) Resigned on 30 November 2012
(6) Retired on 3 December 2012
(7) Retired on 31 October 2012

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

RC – Directors' Remuneration

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

Ahmad @ Misron bin Yusof	Chairman (Independent Non-Executive Director) – Appointed as member and Chairman of the RC on 30 November 2012
Foo Lee Khean	Member (Senior Independent Non-Executive Director)- Appointed as member of the RC on 22 February 2013
Ng Wai Kee	Member (Executive Director and CEO)

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

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

During the financial year under review, one (1) Committee meeting was held and attended by all its members. The RC reviewed and recommended to the Board, the remuneration for the Executive Directors of the Company and all the Independent Non-Executive Directors' fees, including the fees for the two (2) Independent Non-Executive Directors who were appointed during the year, for shareholders' approval at the Company's Annual General Meeting. The RC has also reviewed the ex-gratia payment paid to the Executive Directors who were retired during the financial year.

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	883,984	-	883,984
Bonus	127,600	-	127,600
Fees	45,074	104,285	149,359
Attendance Fee	-	18,000	18,000
*Others	1,544,258	-	1,544,258
Total	**2,600,916**	**122,285**	**2,723,201**

* Others include retirement benefits and benefits in-kind.

Number of Directors whose remuneration falls into the following bands:

Remuneration Band	Executive	Number of Director Non-Executive	Total
RM150,000 and below	-	6	6
RM250,001 to RM300,000	1	-	1
RM350,001 to RM400,000	1	-	1
RM900,001 to RM950,000	1	-	1
RM1,050,001 to RM1,100,000	1	-	1
Total	***4**	***6**	***10**

* Include two (2) Executive Directors retired, two (2) Independent Non-Executive Directors resigned and two (2) Independent Non-Executive Directors appointed during the financial year.

The Board has chosen to disclose the remuneration in bands pursuant to the MMLR of Bursa Securities 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.

Principle 3 – Reinforce Independence of the Board

There is clear division of responsibilities between the Chairman and the CEO to engender accountability and facilitate the division of responsibility, such that no one individual has unfettered powers over decision making. The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. The CEO, supported by the Senior Management team, implements the Group's strategic plan, policies and decision adopted by the Board and oversees the operations and business development of the Group.

The Chairman of the Board is assumed by an Independent Non-Executive Director and the Board also comprises a majority of independent directors.

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. Mr Foo Lee Khean has been identified as the Company's Senior Independent Non-Executive Director, to whom concerns may be conveyed by shareholders and other stakeholders.

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

In line with the MCCG 2012 and to enable a balance of power and authority in the Board, the Board Charter, which has been adopted by the Company, sets out the restriction on the tenure of an Independent Director to a cumulative term of nine (9) years. However, an Independent Director may continue to serve the Board upon reaching the 9-year limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the NC is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence.

In line with the MCCG 2012, Encik Mohamed Ghazali bin Kamal Baharein, Ms Pauline Teh @ Pauline Teh Abdullah and Mr Danny Ng Siew L'Leong, whom had served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, had resigned from the Board. Accordingly, Encik Ahmad @ Misron bin Yusof and Ms Wern Li Morsingh were appointed as Independent Non-Executive Chairman and Independent Non-Executive Director respectively during the financial year.

Principle 4 – Foster commitment of Directors

The Board meets at least four (4) times a year and additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committees papers are prepared by Management which provides the relevant facts and analysis for the convenience of Directors. The agenda, the relevant reports and Board papers are furnished to Directors and Board Committees members in advance to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. The Chairman of the ARC informs the Directors at each Board meetings of any salient matters noted by the ARC and which require the Board's notice or direction. All pertinent matters discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings.

It is the policy of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. It is also the Board's policy for Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements allow a Director to sit on the boards of 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at Board meetings.

During the financial year ended 31 December 2012, the Board met 5 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 (Resigned on 30 November 2012)	Independent Non-Executive Director, Chairman	5/5
Ahmad @ Misron bin Yusof (Appointed on 30 November 2012)	Independent Non-Executive Director, Chairman	N/A
Danny Ng Siew L'Leong (Resigned on 22 February 2013)	Senior Independent Non-Executive Director	4/5
Pauline Teh @ Pauline Teh Abdullah (Resigned on 30 November 2012)	Independent Non-Executive Director	4/5
Foo Lee Khean	Senior Independent Non-Executive Director	5/5
Wern-Li Morsingh (Appointed on 28 November 2012)	Independent Non-Executive Director	1/1
Mohd Riani Bin Osman (Retired on 3 December 2012)	Executive Director	5/5
Ng Wai Kee	Executive Director	5/5
Yap Siew Foong	Executive Director	3/5
Cham Bee Sim (Retied on 31 October 2012)	Executive Director	4/4

Principle 5 – Uphold integrity in financial reporting by Company

The Board has established an ARC comprises three (3) members of whom all are Independent Non-Executive Directors. The composition of the ARC, including its roles and responsibilities are set out on pages 17 to 19 under ARC Report of this Annual Report. One of the key responsibilities of the ARC is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

The Statement of Responsibility by the Directors in respect of preparation of annual audited accounts can be found on page 22 of this Annual Report.

To ensure audit independence and for good corporate governance purpose, Messrs Baker Tilly Monteiro Heng was appointed as the External Auditors of the Company in place of the retiring Auditors, Messrs KPMG, who had been acting as the External Auditors of the Group for the past 10 years, at the preceding Thirteenth Annual General Meeting of the Company.

In addition, the ARC members have met with the External Auditors twice without the presence of the Management and Executive Directors during the financial year to discuss issues arising from any audit exercises or other matters, which the External Auditors may wish to raise.

Principle 6 – Recognise and manage risks

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

The Board has outsourced the independent internal audit function to Audex Governance Sdn Bhd that reports directly to the ARC. The ARC has also met with the Internal Auditors without the presence of the Executive Directors and Management during the financial year. The key activities covered by the internal audit function during the financial year under review is provided in the ARC Report of the Company as set out on pages 17 to 19 of this Annual Report.

Principle 7 – Ensure timely and high quality disclosure

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulators, shareholders and stakeholders. Steps will be taken to formalise pertinent corporate disclosure policies to comply with the disclosure requirements as stipulated in the MMLR of Bursa Securities, and to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

To augment the process of disclosure, the Board has established a dedicated section for corporate information on the Company's website where information on the Company's announcements, financial information and the Company's Annual Report may be accessed.

Principle 8 – Strengthen relationship between Company and shareholder

The Company acknowledges that effective investor relations are 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.

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

The Notice of AGM will be circulated at least twenty-one (21) days before the date of the meeting to enable shareholders sufficient time to peruse the Annual Report and papers supporting the resolutions proposed. The Board encourages participation at general meetings and will generally carry out resolutions by show of hand, except for Related Party Transaction (wherein poll will be conducted) and unless otherwise demanded by shareholders in accordance with the Articles of Association of the Company. The Chairman of the Board will inform the shareholders of their right to demand a poll vote at the commencement of the general meeting,

OTHER INFORMATION

(a) Corporate Social Responsibility (CSR)

SMIS continues to recognize 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.

On the other hand, on 16 August 2012, SMIS has organised a charity work by donating used computers and providing training to Rumah Amal Lipahan Kasih.

(b) Share Buy-Back

The details of shares bought back and retained as treasury shares during the financial year ended 31 December 2012 are set out as below:-

	Number of SMIS Shares Price Purchased	Highest Price RM	Lowest Price RM	Average Price RM	Total Amount Paid RM
Jan-12	-	-	-	-	-
Feb-12	-	-	-	-	-
Mar-12	5,000	0.53	0.53	0.53	2,719
Apr-12	-	-	-	-	-
May-12	-	-	-	-	-
Jun-12	-	-	-	-	-
Jul-12	-	-	-	-	-
Aug-12	-	-	-	-	-
Sep-12	5,000	0.47	0.47	0.47	2,394
Oct-12	-	-	-	-	-
Nov-12	-	-	-	-	-
Dec-12	-	-	-	-	-
Total	**10,000**	**-**	**-**	**-**	**5,113**

(c) Option 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

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 2012.

(d) Recurrent Related Party Transactions

The details of the transactions with related parties undertaken by the Company during the financial period are disclosed in note 28 on pages 83 to 85 of the notes to the financial statements and in the Circular to Shareholders, dated 23 May 2013.

(e) Non-Audit Fees

There was no non-audit fees paid to external auditors for the financial year under review.

(f) 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.

(g) Depository Receipt Programme

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

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

(i) Profit Guarantee

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

(j) Utilisation of Proceeds

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

Audit and Risk Committee Report

The Board is pleased to present the Audit and Risk Committee Report for the financial year ended 31 December 2012 in accordance with Paragraph 15.15 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Audit Committee has been renamed as Audit and Risk Committee and the Terms of Reference of the said Committee has also been revised and updated accordingly. The Audit and Risk Committee provides assistance to the Board in ensuring timely and accurate financial reporting, proper implementation of risk management policies and strategies in relation to the Group's business strategies and oversight of risk and internal control. It also reviews the Group's compliance with legal and regulatory requirements.

Attendance at Meetings

Members of the Audit and Risk Committee and details of their attendance at meetings during the financial year ended 31 December 2012 are as follows:

Composition of Committee	No. of Meetings Attended
Danny Ng Siew L'Leong Chairman (Senior Independent Non-Executive Director) *(Resigned on 22 February 2013)*	4/5
Pauline Teh @ Pauline Teh Abdullah Member (Independent Non-Executive Director) *(Resigned on 30 November 2012)*	4/5
Foo Lee Khean Member (Independent Non-Executive Director) *(Appointed as Chairman on 22 February 2013)*	4/5
Wern-LI Morsingh Member (Independent Non-Executive Director) *(Appointed on 28 November 2012)*	1/1

The meetings were appropriately structured through the use of agenda and board papers containing information relevant to the matters for deliberation, which were distributed to members with sufficient notice.

TERMS OF REFERENCE FOR AUDIT AND RISK COMMITTEE

1. OBJECTIVES

The objectives of Audit and Risk Committee (the "Committee") are 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 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 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 Committee must be composed of no fewer than 3 members;

(b) all members of the Committee should be non-executive directors;

(c) a majority of the Committee must be independent directors;

(d) all members of the Committee should be financially literate and at least one member of the 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
- 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.

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

The members of the Committee shall elect a Chairman from among their number who shall be an independent director. In the event of any vacancy in the Committee resulting in the non-compliance of (a) to (d) above, the vacancy must be filled within 3 months of that event.

The Board must review the term of office and performance of the Committee and members have carried out their duties in accordance with the terms of reference.

3. FREQUENCY OF MEETINGS

Meetings shall be held at least four (4) times in each financial year. More meeting may be conducted if the need arises.

4. SECRETARY

The Secretary of the Company shall be secretary of the Committee.

5. FUNCTIONS

The functions of the 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 discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts cannot be entered into should include:-

- Management consulting;
- Strategic decision;
- Internal Audit; and
- Policy and standard operating procedures documentation

(e) 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;
- Integrity of financial statements;
- Compliance with accounting standards and other legal requirements;

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

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

(h) To review the adequacy of Group's risk management framework and assess the resources and knowledge of the Management and employees involved in the risk management process;

(i) To review the Group's risk profile and risk tolerance;

(j) In respect of the internal audit function, the following shall be carried out to ensure effectiveness of internal control system:-

- 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;
- 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 appointments or termination of senior auditors of the internal audit function;
- Inform itself of resignations of internal auditors and provide the resining internal auditor an opportunity to submit his reasons for resigning.
- To consider the major findings of internal investigations and management's responses;
- To ensure the internal audit function is independent of the activities it audits and the head of internal audit reports directly to the 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;
- To report promptly any matters resulting in the breach of the Bursa Securities Listing Requirements to the Board. Where the Committees is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Committee shall promptly report such matter to Bursa Securities; and
- To consider other areas as defined by the board.

6. RIGHTS OF THE COMMITTEE

The 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 who carry out the internal audit function or activity;

(e) be able to obtain independent professional or other advice, at the expenses of the Company; and

(f) be able to convene meetings with the external auditors (without the presence of executive Board members) at least twice a year and whenever deemed necessary.

The Chairman of the Committee shall engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer or Executive Directors, the Financial Controller, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Group.

SUMMARY OF ACTIVITIES OF THE AUDIT AND RISK COMMITTEE

In accordance with the Terms of Reference of the Audit and Risk Committee, the following activities were undertaken by the Audit and Risk Committee during the financial year ended 31 December 2012:

(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) Reviewed the adequacy of scope, function, competency and resources of the Internal Audit 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 and Recurrent Related Party Transaction entered into by the Company and the Group, taking into consideration conflict of interests that may arise.

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

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an independent professional services firm, to carry out internal audit on the Group. The Head of Internal Audit reports directly to the Audit and Risk Committee. Internal audit reports are presented, together with Management's response and proposed action plans, to the Audit and Risk Committee quarterly.

The activities of the Internal Audit Function during the financial year ended 31 December 2012 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 and Risk 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 and Risk Committee.

(d) To assess the adequacy and integrity of the system of internal controls as established by the Management. The internal audit covered key operational, financial and compliance controls.

This report is made in accordance with the approval of the Board of Directors dated 30 April 2013.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board is pleased to provide SMIS Corporation Berhad's Internal Control Statement which outlines the nature and scope of its risk management and internal controls of the Group during the financial year ended 31 December 2012. This Statement on Risk Management and Internal Control is made in accordance with Paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board acknowledges their responsibility for the Group's internal control and risk management systems, 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 risk management and internal controls, the systems put into effect by Management can only manage but cannot eliminate the risk of failure to achieve the Group's business objectives. Consequently, the system can only provide reasonable but not absolute assurance against material misstatement or losses.

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

1. Risk Management System

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.

Whilst the Board maintains ultimate control over risk and control issues, Key Management staff and Heads of Department are delegated with the responsibilities to implement the system of risk management and internal control within defined parameters and standards. The 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.

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

2. Internal Control System

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 and Risk 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 to customers' 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.

INTERNAL AUDIT

The Group's internal audit function is outsourced to external consultants to assist the Board and the Audit and Risk 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 and Risk Committee. The scope of review of the outsourced internal audit function is determined and approved by the Audit and Risk Committee.

During the financial year ended 31 December 2012, internal audit review was carried out in accordance with the internal audit plan approved by the Audit and Risk Committee. Findings from the internal audit reviews, including the recommended improvement were presented to the Audit and Risk 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 2012 was RM60,000 (2011 – RM60,000).

ASSURANCE FROM MANAGEMENT

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

CONCLUSION

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

This statement is approved by the Board of Directors on 30 April 2013.

Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 ("Act") to prepare the financial statements for the financial year ended 31 December 2012 which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Act in Malaysia and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of financial position of the Group and the Company as at 31 December 2012, and of the financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2012.

In preparing the financial statements, the Directors have:

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

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

FINANCIAL STATEMENTS

Directors' Report
for the year ended 31 December 2012

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are as stated in Note 8 to the financial statements. There has been no significant change in the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	1,232	5,373
Other comprehensive income for the financial year, net of tax	(273)	-
Total comprehensive income for the financial year	959	5,373
Profit attributable to:		
Owners of the Company	854	5,373
Non-controlling interests	378	-
	1,232	5,373
Total comprehensive income attributable to:		
Owners of the Company	585	5,373
Non-controlling interests	374	-
	959	5,373

DIVIDENDS

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

At the forthcoming Annual General Meeting, a first and final dividend of 3.34 sen per ordinary share of RM1/- each less 25% tax (2.5 sen net per ordinary share) in respect of the financial year ended 31 December 2012 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividends, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year other than as disclosed in Note 27 to the financial statements.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

During the financial year, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of RM0.503 per share. The total consideration paid was approximately RM5,113/- including transaction cost of RM88/-. The repurchased transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2012, the Group held 2,580,100 (31 December 2011: 2,570,100; 1 January 2011: 2,546,100) of the Company's shares. The number of outstanding ordinary shares of RM1/- each in issue after the set off is 42,219,900 (31 December 2011: 42,229,900; 1 January 2011: 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.

DIRECTORS

The Directors in office since the date of the last report are:

Mohd Riani bin Osman	(retired on 3.12.2012)
Ng Wai Kee	
Yap Siew Foong	
Cham Bee Sim	(retired on 31.10.2012)
Danny Ng Siew L'Leong	(resigned on 22.2.2013)
Pauline Teh @ Pauline Teh Abdullah	(resigned on 30.11.2012)
Mohamed Ghazali bin Kamal Baharein	(resigned on 30.11.2012)
Foo Lee Khean	
Ahmad @ Misron bin Yusof	(appointed on 30.11.2012)
Wern Li Morsingh	(appointed on 28.11.2012)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those Directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 31 December 2012 are as follows:-

	Number of ordinary shares of RM1.00 each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
The Company				
Direct interest				
Ng Wai Kee	700,900	-	-	700,900
Yap Siew Foong	1,263,730	-	-	1,263,730
Indirect interest				
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.

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in the shares of the Company and shares 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 or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or a full time employee of the Company as shown in Note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with companies in Group in the ordinary course of business, as disclosed in Note 28 to the financial statements.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

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

On behalf of the Board,

....
Ng Wai Kee
Director

....
Yap Siew Foong
Director

Kuala Lumpur

Date: 30 April 2013

Statement by Directors

We, **NG WAI KEE** and **YAP SIEW FOONG**, being two of the Directors of SMIS Corporation Berhad, do hereby state that in the opinion of the Directors, the financial statements set out on pages 6 to 85 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 101 to the financial statements have been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

....

Ng Wai Kee
Director

....

Yap Siew Foong
Director

Kuala Lumpur

Date: 30 April 2013

Statutory Declaration

I, **Ng Wai Kee**, being the Director primarily responsible for the financial management of SMIS CORPORATION BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 34 to 100, and the supplementary information set out on page 101 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, l960.

....

Ng Wai Kee

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 30 April 2013.

Before me,

....

Commissioner for Oaths

Independent Auditors' Report
to the members of SMIS Corporation Berhad

Report on the Financial Statements

We have audited the financial statements of SMIS Corporation Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 100.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls 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 controls relevant to the Company'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 Company's internal controls. 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 Companies Act, 1965 in Malaysia 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 Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.

(c) We are satisfied that the financial statements 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 financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out in page 87 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the supplementary information which has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

1. As stated in Note 2 to the financial statements, SMIS Corporation Berhad adopted the Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and its related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and the financial performance and cash flows for the financial year then ended.

2. The financial statements of the Group and of the Company for the financial year ended 31 December 2011 were audited by another firm of chartered accountants whose report dated 30 April 2012 expressed an unmodified opinion on those financial statements.

3. 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 contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Andrew Heng
No.2935/08/14 (J)
Chartered Accountant

Kuala Lumpur

Date: 30 April 2013

Consolidated Statement Of Financial Position

As at 31 December 2012

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	29,730	25,754	22,124
Investment properties	6	500	522	1,308
Intangible assets	7	1,322	2,217	710
Other investments	9	2,693	5,005	11,869
Deferred tax assets	10	961	841	1,776
Total non-current assets		35,206	34,339	37,787
Current assets				
Trade and other receivables	11	34,420	29,553	23,296
Prepayments		2,647	2,245	2,289
Inventories	12	13,651	14,869	12,157
Tax recoverable		223	362	561
Cash and cash equivalents	13	23,792	18,895	20,609
Total current assets		74,733	65,924	58,912
TOTAL ASSETS		109,939	100,263	96,699
EQUITY AND LIABILITIES				
Equity attributable to the owners of the Company				
Share capital	14	44,800	44,800	44,800
Treasury shares	15	(1,156)	(1,151)	(1,136)
Share premium		4,891	4,891	4,891
Reserves	16	24,263	23,678	25,327
Total equity attributable to owners of the Company		72,798	72,218	73,882
Non-controlling interests		4,373	3,999	2,618
Total equity		77,171	76,217	76,500
Non-current liabilities				
Loans and borrowings	17	2,510	-	-
Provision for warranties	18	-	337	200
Other financial liabilities	19	707	707	-
Deferred tax liabilities	10	253	1,117	1,931
Total non-current liabilities		3,470	2,161	2,131
Current liabilities				
Loans and borrowings	17	5,081	2,990	-
Provision for warranties	18	815	390	324
Trade and other payables	20	23,047	18,236	17,626
Tax payable		355	269	118
Total current liabilities		29,298	21,885	18,068
Total liabilities		32,768	24,046	20,199
TOTAL EQUITY AND LIABILITIES		109,939	100,263	96,699

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

Statement of Financial Position

As at 31 December 2012

	Note	31.12.2012 RM'000	Company 31.12.2011 RM'000	1.1.2011 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	-	-	1
Investment in subsidiaries	8	64,908	64,908	55,688
Other investments	9	-	-	1,509
Total non-current assets		64,908	64,908	57,198
Current assets				
Trade and other receivables	11	7,790	267	26
Cash and cash equivalents	13	299	2,247	534
Total current assets		8,089	2,514	560
TOTAL ASSETS		72,997	67,422	57,758
EQUITY AND LIABILITIES				
Equity attributable to the owners of the Company				
Share capital	14	44,800	44,800	44,800
Treasury shares	15	(1,156)	(1,151)	(1,136)
Share premium		4,891	4,891	4,891
Reserves	16	24,060	18,687	3,871
Total equity attributable to owners of the Company		72,595	67,227	52,426
Current liabilities				
Trade and other payables	20	402	195	5,332
Total current liabilities		402	195	5,332
Total liabilities		402	195	5,332
TOTAL EQUITY AND LIABILITIES		72,997	67,422	57,758

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

Statements of Comprehensive Income

For the year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000 (Restated)
Revenue		115,639	110,009	8,000	15,120
Cost of sales		(93,663)	(88,427)	-	-
Gross profit		21,976	21,582	8,000	15,120
Other operating income		654	1,093	-	95
Distribution expenses		(1,328)	(1,224)	-	-
Administrative expenses		(15,029)	(11,480)	(627)	(390)
Other operating expenses		(2,917)	(7,218)	-	-
Operating profit	21	3,356	2,753	7,373	14,825
Finance income		390	239	-	-
Finance costs	22	(381)	(177)	-	-
Profit before taxation		3,365	2,815	7,373	14,825
Taxation	23	(2,133)	(2,683)	(2,000)	-
Net profit for the financial year		1,232	132	5,373	14,825
Other comprehensive income for the financial year, net of tax					
Foreign currency translation difference for foreign operations		(109)	(77)	-	-
Fair value of available-for-sale financial assets		(164)	83	-	(9)
Total comprehensive income for the financial year		959	138	5,373	14,816
Profit/(Loss) attributable to:					
Owners of the Company		854	(490)	5,373	14,825
Non-controlling interests		378	622	-	-
		1,232	132	5,373	14,825
Total comprehensive income attributable to:					
Owners of the Company		585	(482)	5,373	14,816
Non-controlling interests		374	620	-	-
		959	138	5,373	14,816
Earnings per ordinary share (sen):					
- basic	24	2.02	(1.16)		
- diluted	24	2.02	(1.16)		

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

Statements of Changes in Equity

For the year ended 31 December 2012

Group	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 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 financial year	-	-	-	(75)	83	-	8	(2)	6
Net profit for the financial year	-	-	-	-	-	(490)	(490)	622	132
Total comprehensive income for the financial year	-	-	-	(75)	83	(490)	(482)	620	138
Purchase of treasury shares	-	-	(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 2011/1 January 2012	44,800	4,891	(1,151)	(75)	252	23,501	72,218	3,999	76,217
Fair value of available-for-sale financial assets	-	-	-	-	(164)	-	(164)	-	(164)
Foreign currency translation reserve	-	-	-	(105)	-	-	(105)	(4)	(109)
Total other comprehensive income for the financial year	-	-	-	(105)	(164)	-	(269)	(4)	(273)
Net profit for the financial year	-	-	-	-	-	854	854	378	1,232
Total comprehensive income for the financial year	-	-	-	(105)	(164)	854	585	374	959
Purchase of treasury shares	-	-	(5)	-	-	-	(5)	-	(5)
At 31 December 2012	44,800	4,891	(1,156)	(180)	88	24,355	72,798	4,373	77,171

Statements of Changes in Equity

For the year ended 31 December 2012 (continued)

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 2011	44,800	4,891	(1,136)	9	3,862	52,426
Purchase of treasury shares	-	-	(15)	-	-	(15)
Total comprehensive income for the financial year	-	-	-	(9)	14,825	14,816
At 31 December 2011	44,800	4,891	(1,151)	-	18,687	67,227
Purchase of treasury shares	-	-	(5)	-	-	(5)
Total comprehensive income for the financial year	-	-	-	-	5,373	5,373
At 31 December 2012	44,800	4,891	(1,156)	-	24,060	72,595

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

Statements of Cash Flows

For the year ended 31 December 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before taxation	3,365	2,815	7,373	14,825
Adjustments for:				
Amortisation of intangible assets	195	82	-	-
Bad debts written off	972	-	35	-
Impairment loss on:				
- investment properties	-	317	-	-
- trade receivables	149	276	-	-
Intangible asset written off	700	-	-	-
Depreciation of:				
- investment properties	22	36	-	-
- property, plant and equipment	4,129	3,855	-	1
Dividend income:				
- other investments	-	(107)	-	-
- subsidiaries	-	-	(8,000)	(19,405)
Gain on disposal of:				
- investment properties	-	(207)	-	-
- other investments	(229)	(115)	-	(32)
- property, plant and equipment	(34)	(3)	-	-
Equity settled shared				
- based payments transactions	-	297	-	-
Finance income	(390)	(239)	-	-
Property, plant and equipment written off	2	-	-	-
Finance cost	302	111	-	-
Reversal of impairment loss on:				
- inventories	(14)	(98)	-	-
- trade receivables	(6)	(100)	-	-
Unrealised foreign exchange gain	(37)	(68)	-	-
Unrealised foreign exchange loss	-	17	-	-
Operating profit/(loss) before working capital changes	9,126	6,869	(592)	(4,611)

Statements of Cash Flows

For the year ended 31 December 2012 (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Changes in Working Capital:					
Inventories		1,232	(2,614)	-	-
Receivables		(6,384)	(6,359)	(7,558)	(241)
Payables		4,521	(799)	207	(5,137)
		8,495	(2,903)	(7,943)	(9,989)
Interest paid		(302)	(111)	-	-
Tax refund		270	275	-	4,285
Tax paid		(3,162)	(2,488)	-	-
Net cash generate from/ (used in) operating activities		5,301	(5,227)	(7,943)	(5,704)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additional investment in subsidiaries		-	(2,940)	-	(9,220)
Acquisition of:					
- property, plant and equipment	(i)	(7,376)	(4,509)	-	-
- other investments		-	(18)	-	-
Dividend income		-	107	6,000	15,120
Interest received		390	239	-	-
Proceed from disposal of:					
- other investments		2,377	7,080	-	1,532
- investment properties		-	640	-	-
- property, plant and equipment		34	11	-	-
Proceed from shares issued to non-controlling interests		-	3	-	-
Net cash (used in)/generated from investing activities		(4,575)	613	6,000	7,432

Statements of Cash Flows

For the year ended 31 December 2012 (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of treasury shares		(5)	(15)	(5)	(15)
Drawdown of term loan		2,550	-	-	-
Drawdown of other borrowings		1,695	-	-	-
Repayment of term loan		(69)	-	-	-
Net cash generate from/ (used in) financing activities		4,171	(15)	(5)	(15)
NET CHANGE IN CASH AND CASH EQUIVALENTS		4,897	(4,629)	(1,948)	1,713
EXCHANGE RATE FLUCTUATIONS RESERVE		(125)	(75)	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		15,905	20,609	2,247	534
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		20,677	15,905	299	2,247
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Deposits placed with license banks		5,297	5,130	-	-
Cash and bank balances		18,495	13,765	299	2,247
Bank overdraft		(3,115)	(2,990)	-	-
		20,677	15,905	299	2,247

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM8,091,000/- (2011: RM6,142,000/-) of which RM300,000/- (2011: Nil) was acquired by means of hire purchases arrangement and an amount of RM415,043/- (2011: RM1,633,000/-) was accrued at the end of reporting year.

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

Notes to the Financial Statements

1. GENERAL INFORMATION

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are as stated in Note 8 to the financial statements. There has been no significant change in the nature of these principal activities during the financial year.

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

The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

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

The financial statements are expressed in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ('000) except when otherwise stated.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 April 2013.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 3 to the financial statements.

The financial statements of the Group and of the Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 'First-time adoption of MFRSs'. In the previous financial year, the financial statements of the Group and the Company were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

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

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

2.1 New, Revised and Amendments/Improvements to Accounting Standards and IC Int

(a) Explanation of Transition to MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1 January 2012, the Malaysian Accounting Standards Board ("MASB") had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

2. BASIS OF PREPARATION (continued)

2.1 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (continued)

(a) Explanation of Transition to MFRSs

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 *Agreements for the Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1 January 2014. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not the Transitioning Entities have adopted the MFRSs framework including MFRS 1 First-time adoption of MFRSs for the current financial year ended 31 December 2012.

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

The Group and the Company have consistently applied the same accounting policies in its opening MFRSs statement of financial position as at 1 January 2011 (date of transition) and throughout all years presented, as if these policies had always been in effect.

As at 31 December 2011, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs.

The adoption of the MFRSs for the current financial year did not result in any changes in accounting policies and material adjustments to the Group's and the Company's statements of financial position, statements of comprehensive income and statements of cash flows which are reported in accordance with the previous FRSs.

(b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013

2. BASIS OF PREPARATION (continued)

2.1 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (continued)

(b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (continued)

		Effective for financial periods beginning on or after
Revised MFRSs		
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Financial Reporting Standards	1 January 2013
MFRS 7	Financial Instruments: Disclosures	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013 and 1 January 2014
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
MFRS 101	Presentation of Financial Statements	1 July 2012 and 1 January 2013
MFRS 116	Property, Plant and Equipment	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
MFRS 134	Interim Financial Reporting	1 January 2013
New IC Int		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Int		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2013

A brief discussion on the above significant new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

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

2.1 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (continued)

(b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (continued)

MFRS 9 Financial Instruments (continued)

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and requires the entity to account for such investments either at cost, or in accordance with MFRS 9.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

MFRS 11 Joint Arrangements

MFRS 11 supersedes the former MFRS 131 Interests in Joint Ventures. Under MFRS 11, an entity accounts for its interest in a jointly controlled entity based on the type of joint arrangement, as determined based on an assessment of its rights and obligations arising from the arrangement. There are two types of joint arrangement namely joint venture or joint operation as specified in this new standard. A joint venture recognises its interest in the joint venture as an investment and account for it using the equity method. The proportionate consolidation method is disallowed in such joint arrangement. A joint operator accounts for the assets, liabilities, revenue and expenses related to its interest directly.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

2. BASIS OF PREPARATION (continued)

2.1 New, Revised and Amendments/Improvements to Accounting Standards and IC Int (continued)

(b) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (continued)

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

MFRS 128 Investments in Associates and Joint Ventures (Revised)

This revised MFRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associated companies. However, the revised MFRS 128 exempts the investor from applying equity accounting where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 9.

Amendments to MFRS10, MFRS12 and MFRS127 Investment Entities

These amendments introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss in accordance with MFRS 139 Financial Instruments: Recognition and Measurement instead of consolidating them. In addition, the amendments also introduce new disclosure requirements related to investment entities in MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements:-

(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 investment includes transaction costs.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(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.

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.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

Acquisitions before 1 January 2011

As part of it transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(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.

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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

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.

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.

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) Financial guarantee contracts

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(iii) Financial Guarantee Contracts (continued)

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss over the contractual period or, upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(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.

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.

The estimated useful lives are as follows:

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leased assets (continued)

(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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties (continued)

(i) Investment properties carried at cost (continued)

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 3(k).

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 information available through internal research and Directors' best estimation.

(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 and bank overdraft.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with Note 3(c).

(j) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of uncertain events not wholly within the control of the Group.

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

(k) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

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.

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 airment 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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.

(p) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

(q) 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.

(r) 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 Chief Executive Officer 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key source of estimation uncertainty

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(ii) Impairment of Investment Properties

The Group assesses at the end of each reporting period whether there is any objective evidence that the investment properties are impaired. The Group considers internal and external factors such as market price and latest transacted price of properties within the same vicinity and nature.

The Group assessed the market price of the investment properties based on information available through internal research and Directors' best estimates.

Where there is objective evidence, impairment losses are recognised in profit or loss. As at the end of the reporting period, the Directors of the Company are of the opinion that there is no adjustment required.

(iii) Impairment of goodwill and customer relationship

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flow from the CGU and also choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill are given in Note 7.

(iv) Impairment of investment in subsidiaries

The Group and the Company carried out the impairment test based on a variety of estimation including the value-in-use of the cash generating unit. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

As at the end of the reporting period, the Directors of the Company are of the opinion that there is no adjustment required resulting from the impairment review.

(v) Impairment of available-for-sale financial assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant' or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(vi) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(vii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future fees receivable, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainties, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

(viii) Impairment of receivables

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer credit creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(ix) Allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(x) Provision for warranties

The provision for warranties related mainly to automotive brake system sold. Judgement is required in determine and estimating the amount of provision to be made. The Group evaluate the amount at provision required based on historical warranty data associated with similar products and services.

(xi) Other financial liabilities

Other financial liabilities are arising from written put options to non-controlling interests. Significant judgement is required in determining the changes in fair value of other financial liabilities. The fair value of the put options are calculated based on the present value of estimated settlement amounts.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings and renovations RM'000	Motor vehicles RM'000	Moulds and jigs RM'000	Total RM'000
Cost								
At 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	32	-	-	1,256	95	-	-	1,351
Disposals/write off		-	-	(19)	-	-	-	(19)
At 31 December 2011/1 January 2012		5,373	12,996	37,438	9,462	2,441	5,147	72,857
Additions		1,572	1,572	2,154	993	366	1,434	8,091
Disposals/write off		-	-	-	(3)	(712)	-	(715)
Exchange differences		16	-	-	-	-	-	16
At 31 December 2012		6,961	14,568	39,592	10,452	2,095	6,581	80,249
Depreciation and impairment loss								
At 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 financial year		40	297	2,272	626	209	411	3,855
Disposals/write off		-	-	(11)	-	-	-	(11)
At 31 December 2011/ 1 January 2012								
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
Depreciation for the financial year		113	292	2,350	679	162	533	4,129
Disposals/write off		-	-	-	(1)	(712)	-	(713)
At 31 December 2012								
Accumulated depreciation		798	4,677	28,975	7,479	1,400	4,714	48,043
Accumulated impairment loss		-	-	2,244	208	-	24	2,476
		798	4,677	31,219	7,687	1,400	4,738	50,519
Carrying amounts								
At 1 January 2011		3,493	8,908	6,588	1,983	458	694	22,124
At 31 December 2011/1 January 2012		4,688	8,611	8,569	2,453	491	942	25,754
At 31 December 2012		6,163	9,891	8,373	2,765	695	1,843	29,730

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Office equipment RM'000
Cost	
At 1 January 2011/31 December 2011/ 1 January 2012/31 December 2012	9
Accumulated depreciation	
At 1 January 2011	8
Depreciation for the financial year	1
At 31 December 2011/ 1 January 2012	9
Depreciation for the financial year	-
At 31 December 2012	9
Carrying amounts	
At 1 January 2011	1
At 31 December 2011/1 January 2012	-
At 31 December 2012	-

5.1 Security

a) A freehold land and building of the Group with carrying amount of RM3,435,171/- (31 December 2011: RM3,490,456/-; 1 January 2011: RM3,545,741/-) has been assigned/ pledged to a licensed bank as security for borrowing/ banking facilities granted to a subsidiary. As at 31 December 2012, the Group has not utilised the banking facilities.

b) During the financial year, the Group purchased a freehold land and building which are charged as security for the long term loan as disclosed in Note 17.

5.2 Land

Included in the carrying amounts of land are:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Freehold land	3,127	1,555	1,555
Leasehold land with unexpired lease period of			
- more than 50 years	1,187	1,203	1,219
- less than 50 years	1,849	1,930	719
	6,163	4,688	3,493

5.3 Asset under hire purchase arrangement

The carrying amounts of motor vehicles at the Group as at year end held under hire purchase arrangement amounted to RM353,000/- (31 December 2011: RM Nil; 1 January 2011: RM Nil).

6. INVESTMENT PROPERTIES

Group	Buildings RM'000
Cost	
At 1 January 2011	2,544
Additions	-
Disposal	(595)
At 31 December 2011/ 1 January 2012/ 31 December 2012	1,949
Depreciation and impairment loss	
At 1 January 2011	
Accumulated depreciation	857
Accumulated impairment loss	379
	1,236
Depreciation for the financial year	36
Disposal	(162)
Impairment loss	317
At 31 December 2011	
Accumulated depreciation	731
Accumulated impairment loss	696
	1,427
Depreciation for the financial year	22
At 31 December 2012	
Accumulated depreciation	753
Accumulated impairment loss	696
	1,449
Carrying amounts	
At 1 January 2011	1,308
At 31 December 2011/1 January 2012	522
At 31 December 2012	500
Fair values	
At 1 January 2011	5,680
At 31 December 2011/1 January 2012	3,960
At 31 December 2012	5,805

6. INVESTMENT PROPERTIES (continued)

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 information available through internal research and Directors' best estimation.

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

	Group	
	2012 RM'000	2011 RM'000
Rental income	220	220
Direct operating expenses:		
- income generating investment properties	(48)	(45)
- non-income generating investing properties	-	(14)

7. INTANGIBLE ASSETS

			Group	
	Note	Goodwill RM'000	Customer relationship RM'000	Total RM'000
Cost				
At 1 January 2011		710	-	710
Acquisition through business combinations	32	612	977	1,589
At 31 December 2011/ 1 January 2012		1,322	977	2,299
Write off		-	(977)	(977)
At 31 December 2012		1,322	-	1,322
Amortisation				
At 1 January 2011		-	-	-
Amortisation for the financial year		-	82	82
At 31 December 2011/ 1 January 2012		-	82	82
Amortisation for the financial year		-	195	195
Write off		-	(277)	(277)
At 31 December 2012		-	-	-
Carrying amounts				
At 1 January 2011		710	-	710
At 31 December 2011/ 1 January 2012		1,322	895	2,217
At 31 December 2012		1,322	-	1,322

7. INTANGIBLE ASSETS (continued)

a) Impairment testing for cash-generating units containing goodwill

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

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Machinery parts division	710	710	710
Plastic resins trading and compounding division	612	612	-
	1,322	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 2012 using estimated constant growth rate of 5%; and
- A pre-tax discount rate of 8.3% (2011: 8.3%) 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 of information.

Based on the sensitivity analysis performed, the directors are of the opinion that there are no reasonably possible changes in key assumptions which would cause the carrying values of the CGU to exceed its recoverable amounts.

Plastic resins trading and compounding division

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 3-year business plan established in 2012;
- Revenue was projected at about RM25,066,000/- in the first year of the business plan (i.e. 2013) as the management anticipates sales to new customers segment as part of its growth plan. Subsequent to year 2013, the anticipated annual revenue included in the cash flow projections is expected to grow by 5% annually thereafter; and
- A pre-tax discount rate of 8.3% was applied in determining the recoverable amount of the cash generating units.

7. INTANGIBLE ASSETS (continued)

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

Plastic resins trading and compounding division (continued)

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 of information.

Based on the sensitivity analysis performed, the directors are of the opinion that there are no reasonably possible changes in key assumptions which would cause the carrying values of the CGU to exceed its recoverable amounts.

8. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At costUnquoted shares	68,884	59,664	59,664
Additions	-	9,220	- *
Less: Accumulated impairment loss	(3,976)	(3,976)	(3,976)
	64,908	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 31.12.2012 %	31.12.2011 %
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

8. INVESTMENT IN SUBSIDIARIES (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	Effective ownership interest 31.12.2011 %
Sugihara Grand Industries Sdn. Bhd.	Malaysia	Manufacturing and trading of carpet of all descriptions	60	60
Cleon Technology Sdn. Bhd. ^	Malaysia	Dormant	66.25	66.25
Exsilio Pte. Ltd. #	Singapore	Investment holding	96.67	96.67
Subsidiaries of Exsilio Pte. Ltd.				
Plaspoint Sdn. Bhd.	Malaysia	Manufacturers, reproducers, developers and dealers in all kinds of plastics, resins and their wastes	92.32	92.32
PT Zusma Plastics #	Indonesia	Dormant	96.67	96.67

\# Companies not audited by Baker Tilly Monteiro Heng.

^ On 27 December 2012, the Company announced that its 66.25% owned subsidiary had been placed under Members' Voluntary Liquidation (Liquidation) pursuant to the Companies Act, 1965 in Malaysia. The voluntary liquidation is still in progress as at to-date.

9. OTHER INVESTMENTS

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Available-for-sale financial assets - Investment in unit trust, quoted in Malaysia	2,693	5,005	11,869	-	-	1,509

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 31.12.2012 RM'000	Assets 31.12.2011 RM'000	Assets 1.1.2011 RM'000	Liabilities 31.12.2012 RM'000	Liabilities 31.12.2011 RM'000	Liabilities 1.1.2011 RM'000	Net 31.12.2012 RM'000	Net 31.12.2011 RM'000	Net 1.1.2011 RM'000
Property, plant and equipment	(723)	(796)	-	(1,028)	(1,285)	(1,931)	(1,751)	(2,081)	(1,931)
Provisions	1,107	1,058	1,071	775	275	-	1,882	1,333	1,071
Capital allowance	577	579	705	-	-	-	577	579	705
Reinvestment allowances	-	-	-	-	(107)	-	-	(107)	-
Net tax assets/ (liabilities)	961	841	1,776	(253)	(1,117)	(1,931)	708	(276)	(155)

Movement in temporary differences during the year:-

Group	At 1.1.2011 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.12.2011 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.12.2012 RM'000
Property, plant and equipment	(1,931)	(150)	(2,081)	330	(1,751)
Provisions	1,071	262	1,333	549	1,882
Capital allowance	705	(126)	579	(3)	577
Reinvestment allowances	-	(107)	(107)	107	-
	(155)	(121)	(276)	984	708

10. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

Unrecognised deferred tax assets

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

	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unused tax losses	2,369	964	455
Unabsorbed capital allowances	1,502	925	2,424
	3,871	1,889	2,879

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of those subsidiaries under Section 44(5A) and (5B) of Income Tax Act,1967 and guidelines issued by the tax authorities. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset against taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

11. TRADE AND OTHER RECEIVABLES

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Current							
Trade							
Trade receivables	(a)	33,633	27,475	21,974	-	-	-
Non-trade							
Other receivables		485	1,798	1,073	-	243	26
Deposits		302	280	249	-	24	-
Amount owing from subsidiaries	(b)	-	-	-	1,790	-	-
Dividend receivable		-	-	-	6,000	-	-
		787	2,078	1,322	7,790	267	26
		34,420	29,553	23,296	7,790	267	26

(a) Credit terms of trade receivables range from 60 to 180 days (31 December 2011: 60 to 180 days; 1 January 2011: 60 to 180 days).

(b) Amount owing from subsidiaries is non-trade in nature, unsecured, interest free and repayable on demand.

12. INVENTORIES

	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At cost			
Raw materials	5,219	6,049	5,008
Work-in-progress	797	771	617
Manufactured goods	1,321	2,480	1,111
Trading goods	6,238	5,569	5,421
Consumables	76	-	-
	13,651	14,869	12,157

13. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deposits placed with licensed banks	5,297	5,130	11,012	-	-	-
Cash and bank balances	18,495	13,765	9,597	299	2,247	534
	23,792	18,895	20,609	299	2,247	534

14. SHARE CAPITAL

	Group and Company					
	31.12.2012		31.12.2011		1.1.2011	
	Number of shares Unit '000	Amount RM'000	Number of shares Unit '000	Amount RM'000	Number of shares Unit '000	Amount RM'000
Ordinary shares of RM1/- each						
Authorised:						
At the beginning/ end of the financial year	60,000	60,000	60,000	60,000	60,000	60,000
Issued and fully paid:						
At the beginning/ end of the financial year	44,800	44,800	44,800	44,800	44,800	44,800

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

15. TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 8 June 2012, 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 10,000 of its issued ordinary shares from the open market at an average price of RM0.503 per share. The total consideration paid was approximately RM5,113/- including transaction cost of RM88/-. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2012, the Group held 2,580,100 (31 December 2011: 2,570,100; 1 January 2011: 2,546,100) of the Company's shares. The number of outstanding ordinary shares of RM1/- each in issue after the set-off is 42,219,900 (31 December 2011: 42,229,900; 1 January 2011: 42,253,900).

Details of the shares purchased during the financial year were as follows:

	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	0.535	0.535	0.535	5,000	2,719
April-June	-	-	-	-	-
July-September	0.470	0.470	0.470	5,000	2,394
October-December	-	-	-	-	-

16. RESERVES

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Non-distributable							
Foreign exchange translation reserve	(a)	(180)	(75)	-	-	-	-
Fair value reserve	(b)	88	252	169	-	-	9
		(92)	177	169	-	-	9
Distributable							
Retained earnings	(c)	24,355	23,501	25,158	24,060	18,687	3,862
		24,263	23,678	25,327	24,060	18,687	3,871

16. RESERVES (continued)

(a) 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.

(b) Fair value reserve

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

(c) Section 108 tax credit

The Company did not elect for the irrevocable option to disregard the Section 108 tax credit. Accordingly, during the transitional period, the Company may utilise the tax credit under Section 108 as at 31 December 2012 to distribute cash dividend payments to ordinary shareholders (who have held the shares for 90 days prior to the payout) as defined under the Finance Act, 2007.

Based on the prevailing tax rate applicable to dividends, the estimated tax credit position is sufficient to frank approximately RM9,120,357/- (31 December 2011:RM9,120,357/-; 1 January 2011: RM9,120,357/-) of the Company's retained earnings if distributed by way of cash dividends without additional tax liabilities being incurred. If any dividend paid in excess of this amount, the Company may distribute such dividends under the single tier system.

The Company has tax exempt income approximately amounting to RM3,480,913/- (31 December 2011:RM3,480,913/-; 1 January 2011: RM3,480,913/-) available as at 31 December 2012 for distribution as tax exempt dividend to the shareholders.

17. LOANS AND BORROWINGS

		Group		
	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non- current				
Hire purchase payable	(a)	153	-	-
Term loan	(b)	2,357	-	-
		2,510	-	-
Current				
Hire purchase payable	(a)	147	-	-
Term Loan	(b)	124	-	-
Revolving credit	(c)	1,503	-	-
Bank overdraft	(c)	3,115	2,990	-
Banker acceptance	(c)	192	-	-
		5,081	2,990	-

17. LOANS AND BORROWINGS (continued)

(a) Hire Purchase Payable

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Minimum hire purchase payments:			
- not later than one year	157	-	-
- later than one year but not later than five years	157	-	-
	314	-	-
Less:			
Future hire purchase interest	(14)	-	-
Present value of hire purchase liabilities	300	-	-
Represented by:			
Current			
- not later than one year	147	-	-
Non-current			
- later than one year but not later than five years	153	-	-
	300	-	-

(b) Term loan

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Term loan- secured	2,481	-	-
Represented by:			
Current			
- not later than one year	124	-	-
Non current			
- later than one year but not later than five years	558	-	-
- later than five years	1,799	-	-
	2,357	-	-
	2,481	-	-

The term loan bear interest rated at 8.6% per annual and repayable by 180 monthly installments of RM19,638/- each commencing one month from the date of first drawdown with adjustment in the last installment.

17. LOANS AND BORROWINGS (continued)

(b) Term loan

The term loans are secured by way of:

(i) a first party legal charge and specific debentures created over a piece of Freehold land, building including fixture and fitting with a carrying amount of RM3,126,000/-, and

(ii) corporate guarantee by the Company.

(c) The revolving credit, bank acceptance and bank overdraft of the Group is supported by a corporate guarantee of RM8,800,000/- (31 December 2011: RM7,520,000/-; 1 January 2011: RM Nil) issued by the Company.

18. PROVISION FOR WARRANTIES

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At 1 January	727	524	450
Provisions made during the year	145	265	141
Provisions used during the year	(57)	(62)	(67)
	815	727	524
Current	815	390	324
Non-current	-	337	200
	815	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.

19. OTHER FINANCIAL LIABILITIES

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Written put options to non-controlling interests	707	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.

20. TRADE AND OTHER PAYABLES

		Group			Company		
	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Trade							
Trade payables	(a)	15,031	10,369	9,251	-	-	-
Non-trade							
Other payables and accruals	(b)	8,016	7,867	8,375	402	195	212
Amount due to subsidiaries	(c)	-	-	-	-	-	5,120
		8,016	7,867	8,375	402	195	5,332
		23,047	18,236	17,626	402	195	5,332

(a) Credit terms of trade payables range from 30 to 120 days (31 December 2011: 30 to 120 days; 1 January 2011: 30 to 120 days).

(b) Included in other payables and accruals of the Group are the following:-

(i) An amount of RM415,043/- (31 December 2011: RM1,633,000/-; 1 January 2011: RM436,000/-) accrued for the acquisition of plant and machineries; and

(ii) An amount of RM Nil (31 December 2011: RM36,000/-; 1 January 2011: RM36,000/- of deposits received from a customer of a subsidiary.

(c) The amount due to subsidiaries were non-trade in nature, unsecured, interest free and repayable on demand.

21. OPERATING PROFIT

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Operating profit has been arrived at:					
After charging:					
Amortisation of intangible assets		195	82	-	-
Auditors' remuneration:					
- statutory audit					
current year		125	145	35	40
prior year		(15)	-	5	-
- other services		-	20	-	20
- other auditors		20	24	-	-
Bad debts written off		972	-	35	-
Depreciation of:					
- investment properties		22	36	-	-
- property, plant and equipment		4,129	3,855	-	1
Development expenditure expensed		-	5,039	-	-
Impairment loss on:					
- trade receivables		149	276	-	-
- investment properties		-	317	-	-
Property, plant and equipment written off		2	-	-	-
Intangible asset written off		700	-	-	-
Personnel expenses (including key management personnel):					
- contribution to Employees Provident Fund		1,471	1,215	-	-
- wages, salaries and others		19,811	17,400	18	22
Rental expenses for:					
- plant and equipment		47	43	-	-
- premises		-	90	-	-
- warehouse and staff housing facilities		333	338	-	-
Lease equipments		215	-	-	-
Foreign exchange loss:					
- realised		14	52	-	-
- unrealised		-	17	-	-

21. OPERATING PROFIT (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
And crediting:					
Dividend income from:					
- subsidiaries (unquoted)		-	-	8,000	19,405
- other investments		-	107	-	-
Finance income		161	239	-	-
Foreign exchange gain:					
- realised		182	224	-	62
- unrealised		37	68	-	-
Gain on disposal of:					
- investment properties		-	207	-	-
- other investments		229	115	-	32
- property, plant and equipment		34	3	-	-
Rental income from:-					
- plant & equipment		220	195	-	-
Reversal of:					
- allowance for slow moving inventories		14	98	-	-
- impairment loss on receivables		6	100	-	-

22. FINANCE COST

	Group 2012 RM'000	Group 2011 RM'000
Interest expense:		
- bank overdraft	199	87
- bank guarantees	4	9
- letter of credit	8	15
- term loan	91	-
	302	111
Other bank charges	79	66
	381	177

23. TAXATION

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income tax expense					
- current year		(2,712)	(2,410)	(2,000)	-
- prior year		(405)	(152)	-	-
		(3,117)	(2,562)	(2,000)	-
Deferred taxation					
- current year	10	271	(132)	-	-
- prior year	10	713	11	-	-
		984	(121)	-	-
		(2,133)	(2,683)	(2,000)	-

The income tax is calculated at the Malaysian Statutory rate of 25% (2011: 25%) of the estimated assessable profit for the year.

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation	3,365	2,815	7,373	14,825
Taxation at applicable tax rate of 25%	(841)	(704)	(1,843)	(3,706)
Tax effect arising from				
- non-deductible expenses	(1,009)	(1,861)	(157)	(82)
- tax exempt income	-	23	-	3,788
- difference tax rate	(95)	-	-	-
- (over)/under provision in prior years	308	(141)	-	-
- unrecognised deferred tax assets	(496)	-	-	-
Tax expenses for the financial year	(2,133)	(2,683)	(2,000)	-

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2012 RM'000	2011 RM'000
Profit/(Loss) attributable to owners of the Company	854	(490)

Weighted average number of ordinary shares:

Group	RM'000	RM'000
Issued ordinary shares at 1 January	44,800	44,800
Effect of treasury shares held	(2,576)	(2,557)
Weighted average number of ordinary shares at 31 December	42,224	42,243
Basic earnings/ (loss) per share (sen)	2.02	(1.16)

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

25. 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 Chief Executive Officer reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Automotive parts	Manufacturing and trading of carpet of all descriptions and manufacturing of automotive braking components and motorcycle components.
Machinery parts	Trading of machinery and industrial parts supplies.
Plastic resins trading and compiunding	Trading and compounding of recyclable plastic resins products.
Others	Investment holding.

25. 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 Chief Executive Director. 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 Chief Executive Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Chief Executive Director. 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.

	Automotive parts RM'000	Machinery parts RM'000	Plastic resins trading and compounding RM'000	Others RM'000	Elimination RM'000	Total RM'000
2012						
Segment profit/ (loss)	6,743	1,935	(4,917)	7,595	(8,000)	3,356
Included in the measure of segment profit are:						
Revenue from external customers	95,605	18,400	1,634	-	-	115,639
Inter-segment revenue	-	30	-	6	(36)	-
Depreciation of property plant and equipment	(3,599)	(219)	(311)	-	-	(4,129)
Depreciation of investment properties	(6)	(16)	-	-	-	(22)
Amortisation of intangible assets	-	-	(195)	-	-	(195)
Intangible assets written off	-	-	(700)	-	-	(700)
Bad debts written off	-	-	(972)	-	-	(972)

25. OPERATING SEGMENTS (continued)

	Automotive parts RM'000	Machinery parts RM'000	Plastic resins trading and compounding RM'000	Others RM'000	Elimination RM'000	Total RM'000
2012 (continued)						
Not included in the measure of segment profit but provided to Group Executive Directors:						
Finance costs	(63)	(8)	(310)	-	-	(381)
Finance income	218	163	9	-	-	390
Taxation	(1,461)	(672)	-	-	-	(2,133)
Segment assets	77,386	20,690	12,902	73,038	(74,077)	109,939
Included in the measure of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets	4,056	375	3,660	-	-	8,091
2011						
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)

25. OPERATING SEGMENTS (continued)

	Automotive parts RM'000	Machinery parts RM'000	Plastic resins trading and compounding RM'000	Others RM'000	Elimination RM'000	Total RM'000
2011 (continued)						
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
Taxation	(2,256)	(427)	-	-	-	(2,683)
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

Reconciliations of reportable segment revenues and profit or loss

	2012 RM'000	2011 RM'000
Profit or loss		
Total profit or loss for reportable segments	3,356	7,792
Development expenditure expensed	-	(5,039)
Finance cost	(381)	(177)
Finance income	390	239
Consolidated profit before tax	3,365	2,815
Taxation	(2,133)	(2,683)
Consolidated profit after tax	1,232	132

25. OPERATING SEGMENTS (continued)

Major customers

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

	Revenue		Segments
	2012 RM'000	2011 RM'000	
Customer A	20,666	20,294	Automotive parts
Customer B	17,817	10,251	Automotive parts
Customer C	11,339 *	11,838	Automotive parts

* The balances were presented for comparative purpose as they were one of major customers of the Group which contributed equal or more than 10% of the Group total revenue in year 2011.

26. OPERATING LEASES

Leases as leasee

	2012 RM'000	2011 RM'000
Less than one year	401	-
Between one and five years	819	-
	1,220	-

The Group leases a number of equipment, software and services under operating leases. The leases typically run for a period of 2-5 years, with an option to renew the lease at the end of lease period. The operating lease expense was recognised in the profit or loss during the financial year as disclosed in Note 21.

Leases as lessor

The Group leases out its investment properties under operating leases (see Note 6). The future minimum lease payments under non-cancellable leases are as follows:

	2012 RM'000	2011 RM'000
Less than one year	9	108
Between one and five years	-	9

27. CONTINGENT LIABILITIES

The Company are contingently liable for the following:-

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unsecured			
Corporate guarantees given to financial institutions for banking facilities granted to subsidiaries	33,540	17,100	11,200
Guarantee given to secure equipment purchased of subsidiaries	997	-	-
subsidiaries	34,537	17,100	11,200

At the end of the reporting period, it was not probable that the counterparty to the financial guarantee contract will claim under the contract.

28. RELATED PARTY TRANSACTIONS

a) Identification of related parties

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities 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.

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

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

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

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

28. RELATED PARTY TRANSACTIONS (continued)

b) Significant related party transaction

Group 2012	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.				
Purchase of raw materials	278	(43)	-	(43)
Sugihara Co. Ltd.				
Purchase of raw materials	677	(76)	-	(76)
Royalties	423	(1,243)	-	(1,243)
Other expenses	71	(28)	-	(28)
2011				
San Yes Automotive Technology Co. Ltd.				
Royalties	1	-	-	-
Purchase of raw materials	239	-	-	-
Purchase of consumables	8	-	-	-
Sugihara Co. Ltd.				
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	-	-	-

c) The key management personnel compensation

The key management personnel compensation is as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Company's Directors				
- Fees	144	152	149	152
- Remuneration	2,997	1,146	18	22
- Other short term employee benefits (including estimated monetory value of benefit-in-kind)	22	23	-	-

28. RELATED PARTY TRANSACTIONS (continued)

c) The key management personnel compensation (continued)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other Directors				
- Remuneration	1,054	994	-	-
- Other short term employee benefits (including estimated monetoary value of benefit-in-kind)	4	8	-	-
- Share-based payments	-	298	-	-
Other key management personnel:				
- Remuneration	389	754	-	-
	4,610	3,375	167	174

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 RM26,000 (2011: RM31,000).

29. CAPITAL COMMITMENTS

	Group	
	2012 RM'000	2011 RM'000
Plant and equipment		
Contracted but not provided for and payable:		
Less than one year	1,076	4,548

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables (L&R);
(ii) Available-for-sale financial assets (AFS); and
(iii) Other liabilities (OL)

30. FINANCIAL INSTRUMENTS (continued)

30.1 Categories of financial instruments (continued)

Financial assets	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
31 December 2012			
Group			
Other investments	2,693	-	2,693
Trade and other receivables	34,420	34,420	-
Cash and cash equivalents	23,792	23,792	-
	60,905	58,212	2,693
Company			
Trade and other receivables	7,790	7,790	-
Cash and cash equivalents	299	299	-
	8,089	8,089	-
31 December 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
Company			
Trade and other receivables	267	267	-
Cash and cash equivalents	2,247	2,247	-
	2,514	2,514	-
1 January 2011			
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

30. FINANCIAL INSTRUMENTS (continued)

30.1 Categories of financial instruments (continued)

Financial liabilities	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
31 December 2012			
Group			
Loans and borrowings	(7,591)	(7,591)	-
Trade and other payables	(23,047)	(23,047)	-
Other financial liabilities	(707)	(707)	-
	(31,345)	(31,345)	-
Company			
Trade and other payables	(402)	(402)	-
31 December 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)	-
1 January 2011			
Group			
Trade and other payables	(17,626)	(17,626)	-
Company			
Trade and other payables	(5,332)	(5,332)	-

30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Available-for-sale	229	305	-	32
Loans and receivables	113	140	-	-
Financial liabilities	(290)	(87)	-	-
	52	358	-	32

30. FINANCIAL INSTRUMENTS (continued)

30.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:
(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

(i) 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 advance to subsidiaries and 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 amounts 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 Company. The Company 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.

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
31 December 2012			
Not past due	18,773	-	18,773
Past due 0-30 days	4,590	-	4,590
Past due 31-120 days	3,824	-	3,824
Past due more than 120 days	7,095	(649)	6,446
	34,282	(649)	33,633

30. FINANCIAL INSTRUMENTS (continued)

30.3 Financial risk management (continued)

(i) Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The ageing of trade receivables as at the end of the reporting period was: (continued)

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
31 December 2011			
Not past due	19,787	-	19,787
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
	27,981	(506)	27,475
1 January 2011			
Not past due	17,492	-	17,492
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
	22,304	(330)	21,974

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

	2012 RM'000	2011 RM'000
At 1 January	506	330
Impairment loss recognised	149	276
Impairment loss reversal	(6)	(100)
Impairment loss written off	-	-
At 31 December	649	506

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.

30. FINANCIAL INSTRUMENTS (continued)

30.3 Financial risk management (continued)

(i) Credit risk (continued)

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

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

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries 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 RM34,536,648/- (31 December 2011: RM17,100,000/-; 1 January 2011: 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. The financial guarantees have not been recognised as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

Other investment

Risk management objectives, policies and processes for managing the risk

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

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 9) with reputable financial institutions. The maximum exposure to credit risk is represented by the carrying amounts as disclosed in Note 9.

These investments are unsecured.

30. FINANCIAL INSTRUMENTS (continued)

30.3 Financial risk management (continued)

(i) Credit risk (continued)

Other investment (continued)

Impairment losses

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

(ii) 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, loan and borrowings.

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.

Maturity analysis

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

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
31 December 2012						
Bank overdraft	3,115	8.10	3,115	3,115	-	-
Banker acceptance	192	5.36 - 5.39	192	192	-	-
Hire purchase payable	300	2.35	300	147	153	-
Revolving credit	1,503	5.41	1,503	1,503	-	-
Term loan	2,481	8.60	3,398	235	943	2,220
Trade and other payables	23,047	-	23,047	23,047	-	-

30. FINANCIAL INSTRUMENTS (continued)

30.3 Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
31 December 2011						
Bank overdrafts	2,990	8.10	2,990	2,990	-	-
Trade and other payables	18,236	-	18,236	18,236	-	-
1 January 2011						
Trade and other payables	17,626	-	17,626	17,626	-	-
Company						
31 December 2012						
Other payables	402	-	402	402	-	-
31 December 2011						
Other payables	195	-	195	195	-	-
1 January 2011						
Other payables	5,332	-	5,332	5,332	-	-

(iii) 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 Company's financial position or cash flows.

Currency risk

The Group's exposure to foreign currency risk is on sales and 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).

30. FINANCIAL INSTRUMENTS (continued)

30.3 Financial risk management (continued)

(iii) Market risk (continued)

Currency risk (continued)

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.

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:

	Denominated in					
Group	USD RM'000	JPY RM'000	EUR RM'000	SG RM'000	THB RM'000	AUD RM'000
31 December 2012						
Tradereceivables	184	-	-	-	-	-
Cash and cash equivalents	4,265	-	-	-	-	-
Trade payables	(1,603)	(82)	(418)	-	-	(16)
Other payables	(79)	-	-	-	(5)	-
Exposure in the statements of financial position	2,767	(82)	(418)	-	(5)	(16)
31 December 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 statements of financial position	1,276	(1,414)	(302)	(65)	(14)	(50)
1 January 2011						
Other receivables	309	317	-	-	-	-
Trade payables	(1,187)	(93)	(272)	-	-	(21)
Other payables	-	-	-	(30)	(28)	-
Exposure in the statements of financial position	(878)	224	(272)	(30)	(28)	(21)

30. FINANCIAL INSTRUMENTS (continued)

30.3 Financial risk management (continued)

(iii) Market risk (continued)

Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2011: 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.

	Profit or loss 2012 RM'000	Profit or loss 2011 RM'000
USD	(207)	(96)
JPY	6	106
EUR	31	23

A 10% (2011: 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.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group is presently enjoying competitive interest rates which are reviewed and negotiated on a yearly basis. The Company manages its interest rate risk by having a combination of borrowings with fixed and floating rates. The Company's surplus funds are placed as short term deposits with licensed banks.

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	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Fixed rate instruments			
Financial assets	5,297	5,130	11,012
Financial liabilities	(1,995)	-	-
Floating rate instruments			
Financial liabilities	(5,596)	(2,990)	-

30. FINANCIAL INSTRUMENTS (continued)

30.3 Financial risk management (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) 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.

	Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000
2012		
Floating rate instrument	(42)	42
2011		
Floating rate instrument	(22)	22

(c) Other price risk

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

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 Company.

Other investment risk sensitivity analysis

A 10% (2011: 10%) increase in equity and debt securities market prices at the end of the reporting period would have increased equity by RM269,300/- (2011: RM501,000/-) for investment classified as available for sale. A 10% (2011: 10%) weakening in equity and debt securities market prices would have had equal but opposite effect on equity.

30. FINANCIAL INSTRUMENTS (continued)

30.4 Fair value of financial instruments

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

The fair value of the long term portion of the loans approximates their carrying amount as it is a floating rate instrument.

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

	31.12.2012		31.12.2011		1.1.2011	
Group	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial asset						
Investment in unit trust, quoted	2,693	2,693	5,005	5,005	11,869	11,869
Financial liailities						
Other financial liabilities	(707)	(707)	(707)	(707)	-	-
Hire puchases payable	(300)	(300)	-	-	-	-
	1,686	1,686	4,298	4,298	11,869	11,869
Company						
Financial asset						
Investment 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.

30. FINANCIAL INSTRUMENTS (continued)

30.5 Fair value hierarchy

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'000R	Level 3 RM'000	Total RM'000
31 December 2012				
Financial assets				
Investment in unit trust, quoted	2,693	-	-	2,693
Financial liabilities				
Other financial liabilities	-	-	(707)	(707)
31 December 2011				
Financial assets				
Investment in unit trust, quoted	5,005	-	-	5,005
Financial liabilities				
Other financial liabilities	-	-	(707)	(707)
1 January 2011				
Financial assets				
Investment in unit trust, quoted	11,869	-	-	11,869
Company				
1 January 2011				
Financial assets				
Investment in unit trust, quoted	1,509	-	-	1,509

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	2012 RM'000	2011 RM'000
At 1 January		707	-
Arising from business combination	19	-	707
At 31 December		707	707

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal gearing ratio and a consolidated shareholders' equity that complies with debt covenants and regulatory requirements.

During 2012, the Group's has set the strategy to maintain the gearing ratio at less than 0.5:1 to comply with the debt covenants. The gearing ratio at 31 December 2012 was as follows:

Group	31.12.2012 RM'000
Total loans and borrowings (Note 17)	7,591
Total net worth	75,849
Gearing ratio	0.10

The comparative information is not presented as the Group has adopting the new approach during 2012.

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.

The Group is also required to maintain a maximum gearing ratio of 0.5 to comply with a bank covenant, failing which, the bank may call an event of default. The Group has not breach this covenant during the year.

32. ACQUISITION OF SUBSIDIARIES IN PRIOR YEAR

Acquisitions of subsidiaries – 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.

32. ACQUISITION OF SUBSIDIARIES IN PRIOR YEAR (continued)

Acquisitions of subsidiaries – Plaspoint Sdn. Bhd. ("Plaspoint") (continued)

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/-.

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

	RM'000
Fair value of consideration transferred	
Cash and cash equivalents	2,940
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	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.

33. COMPARATIVE FIGURES

The comparative figure has been audited by another firm of charted accountants other than Messrs Baker Tilly Monteiro Heng.

Certain comparatives for the financial year ended 31 December 2011 have been reclassified for consistent presentation with the financial statements disclosure requirements for the financial year ended 31 December 2012.

	As perviously reported RM'000	Reclassification RM'000	As restated RM'000
Statements of comprehensive income			
2011			
Company			
Other operating income	(15,215)	15,120	(95)
Revenue	-	(15,120)	(15,120)

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Main Market Listing Requirements of Bursa Malaysia . The directive requires all listed issuers to disclose the breakdown of the retain earnings as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the retained earning of the Group and the Company as at 31 December 2012 are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	60,231	58,495	24,060	18,687
- unrealised	(70)	251	-	-
	60,161	58,746	24,060	18,687
Less: Consolidation adjustments	(35,806)	(35,245)	-	-
Total retained earnings	24,355	23,501	24,060	18,687

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

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

Shareholdings Statistics

as at 24 April 2013

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 42,209,900)

Size of Holdings	No of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities*	% of Issued Capital *
1 - 99	10	0.87	339	0.00
100 - 1,000	281	24.18	259,025	0.61
1,001 - 10,000	619	53.27	3,008,300	7.13
10,001 - 2,110,494	250	21.51	19,742,236	46.77
2,110,495 and above	2	0.17	19,200,000	45.49
Total	1,162	100.00	42,209,900	100.00

Total No. of Shareholders / Depositors	:	1,162
Total Shareholdings / Securities	:	42,209,900*
Total Percentage (%)	:	100.0000

* Excludes 2,590,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 24 April 2013.

LIST OF TOP 30 SHAREHOLDERS / DEPOSITORS

No	Name	Normal Holding	Holdings Percentage % *
1	MIYES HOLDINGS SDN BHD	15,680,000	37.15
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	1,879,438	4.45
4	CHANG KUN-SHENG	1,450,000	3.44
5	CHEN MENG-HSIN	1,368,941	3.24
6	YAP SIEW FOONG	1,263,730	2.99
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	NG ENG BEE	395,195	0.94
12	ENG KIM LIAN	380,964	0.90
13	CHONG TECK HOO @ CHAM TECK HOO	362,089	0.86
14	CHAM BEE SENG @ CHIAM BEE SENG	350,089	0.83
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE HA SING	287,000	0.68
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON (E-BMM)	285,500	0.68
17	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR MOHD RIANI BIN OSMAN (SMART)	250,000	0.59
18	TAN KAI SENG @ TANG KIA SENG	227,000	0.54
19	OOI CHEE MIN	224,000	0.53
20	GOH YOKE CHOO	206,200	0.49
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE KIAN HONG (E-TSA)	200,000	0.47
22	CHEE HIAN BOON @ CHEE AH DECK	189,000	0.45
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI GUAN (474333)	170,000	0.40
24	CHAN SENG CHEONG	157,500	0.37
25	FOO TECK SENG	150,000	0.36
26	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY TENG HUP (M01)	150,000	0.36
27	CHAM BEE SIM	149,572	0.35
28	NG KWEE ENG	142,018	0.34
29	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY YAN WAH (M)	140,000	0.33
30	CHEAK YEW KUN	136,100	0.32
TOTAL		31,824,236	75.40

* Excludes 2,590,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 24 April 2013.

Shareholdings Statistics

as at 24 April 2013 (continued)

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 24 APRIL 2013

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	37.15	-	-
Umberston Holdings Sdn Bhd ("Umberston")	-	-	15,680,000[(1)]	37.15
San Yes Automotive Technology Co., Ltd	-	-	15,680,000[(1)]	37.15
Ng Kwee Eng	142,018	0.34	15,680,000[(2)]	37.15
Yap Siew Foong	1,263,730	2.99	15,680,000[(2)]	37.15

* Excludes 2,590,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 24 April 2013.

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

DIRECTORS'SHAREHOLDING AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 24 APRIL 2013

Name of Director	Direct Interest No. of Shares	Direct Interest % of Issued Capital*	Indirect Interest No. of Shares	Indirect Interest % of Issued Capital*
Yap Siew Foong	1,263,730	2.99	15,680,000[(1)]	37.15
Ng Wai Kee	700,900	1.66	-	-
Foo Lee Khean	-	-	-	-
Wern-Li Morsingh	-	-	-	-
Ahmad @ Misron bin Yusof	-	-	-	-

* Excludes 2,590,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 24 April 2013.

(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 2012 (RM)
Machinery & Industrial Supplies Sdn Bhd	No 19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur.	June 14, 2012	A double storey detached warehouse with 3 storey frontal office. Office and warehouse.	Leasehold 66 years	16	3,867	2,501,400
Grand Carpet Industries Sdn Bhd	Lot 3, Jalan Sultan Hishamuddin 2, Kawasan Perusahaan Selat Kelang Utara, 42000 Port Klang, Selangor.	February 20, 2012	Industrial land erected with single and double storey office annexed. Office and factory.	Leasehold 99 years	21	10,310	5,802,086
Sanyco Grand Industries Sdn Bhd	No 3, Jalan U1/15, Hicom Glenmarie Industrial Park, . 40150 Shah Alam, Selangor	June 1, 2000	Two single storey factories with office annexed. Office and factory.	Freehold	14	2,140	3,435,171
Plaspoint Sdn Bhd	No. 4, Jalan Desa Tropika ½, Taman Perindustrian Tropika, 81800 Ulu Tiram, Johor. Office and factory.	November 17, 2011	A renovated double storey corner detached factory with 2 storey frontal office.	Freehold	2	3,344	3,125,660
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	33	1,197	258,723
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	12	429	NIL

Particulars of Properties
(continued)

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 2012 (RM)
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	10	54	240,734
PT Zusma Plastics	Suryacipta City of Industry, Jl. Surya Madya IV Kav I-28 J, Kutanegara Village, Ciampel, Karawang, West Java 41361, Indonesia.	August 23, 2011	Industrial land. The land is vacant.	Leasehold 16 years	2	7,012	1,174,985

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of the Company will be held at Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 17 June 2013 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 2012 together with the Directors' and Auditors' Reports thereon. ***Ordinary Resolution 1***

2. To declare a first and final dividend of 3.34 sen per Ordinary Share of RM1.00 each less 25% Income Tax (2.5 sen net per Ordinary Share) for the financial year ended 31 December 2012. ***Ordinary Resolution 2***

3. To approve the Directors' Fees in respect of the financial year ended 31 December 2012 and payment thereof. ***Ordinary Resolution 3***

4. To re-elect Mr Foo Lee Khean who is retiring under Article 103 of the Company's Articles of Association. ***Ordinary Resolution 4***

5. To re-elect the following Directors retiring under Article 109 of the Company's Articles of Association:-

   i) Ms Wern Li Morsingh ***Ordinary Resolution 5***
   ii) Encik Ahmad @ Misron bin Yusof ***Ordinary Resolution 6***

6. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 7***

As Special Business

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

7. 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 8***

8. 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 23 May 2013 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 9***

9. 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 2012 of RM24.1 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 Fifteenth ("15th") 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 15th 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 10***

10. Proposed Amendments to the Articles of Association

"That the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix I attached with the Annual Report for the financial year ended 31 December 2012 be and are hereby approved." ***Special Resolution***

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Fourteenth Annual General Meeting of the Company, a first and final dividend of 3.34 sen per Ordinary Share of RM1.00 each less 25% Income Tax (2.5 sen net per Ordinary Share) in respect of the financial year ended 31 December 2012 will be paid to the shareholders of the Company on 28 June 2013. The entitlement date for the said dividend shall be 18 June 2013.

A depositor shall qualify for entitlement to the dividend only in respect of:

(a) Shares transferred to the depositor's securities account before 4.00 p.m. on 18 June 2013 in respect of transfers, and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

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

Selangor Darul Ehsan
Date: 23 May 2013

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. 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. 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. 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.

3. 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.

4. 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.

5. In respect of deposited securities, only members whose names appear on the Record of Depositors on 10 June 2013 (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.

6. **EXPLANATORY NOTES ON SPECIAL BUSINESS**

(i) Ordinary Resolution No. 8 – 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 Thirteenth Annual General Meeting ("AGM") held on 8 June 2012, 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 8 proposed under item 7 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. 9 - Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")***

Ordinary Resolution 9 proposed under item 8 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. 10 - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares***

The proposed Ordinary Resolution 10, 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 15th 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 23 May 2013 which was despatched together with this Annual Report.

(iv) ***Special Resolution on Proposed Amendments to the Articles of Association***

The Special Resolution, if passed, will render the Articles of Association of the Company to be in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to update the Articles of Association of the Company to be consistent with the prevailing laws, guidelines or requirements of the relevant authorities.

Appendix I

SPECIAL RESOLUTION
- Amendments to the Articles of Association

The Articles of Association of the Company are to be amended in the following manner:

Article No.	Existing Articles		Amended Articles	
To amend Article 2	WORDS	MEANINGS	WORDS	MEANINGS
	Authorised Nominee	means a person who is authorised to act as nominee as specified under the Rules.	Exempt Authorised Nominee	means an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
	Central Depository	means Bursa Malaysia Depository Sdn Bhd.	Central Depository	means Bursa Malaysia Depository Sdn Bhd or such other name(s) as may be adopted from time to time.
	Exchange	means Bursa Malaysia Securities Berhad for the time being on which the shares of the Company are listed.	Exchange	means Bursa Malaysia Securities Berhad for the time being on which the shares of the Company are listed or such other name(s) as may be adopted from time to time.
	Listing Requirements	means the Listing Requirements of Bursa Malaysia Securities Berhad including any amendments to the same that may be made from time to time.	Listing Requirements	means the Main Market Listing Requirements of the Exchange, including any amendments thereto that may be made from time to time and such practice notes and circulars as may from time to time be issued by the Exchange.
	New Definition		Share Issuance Scheme	means a scheme involving a new issuance of shares to the employees.
To amend Article 5(b)	Allotment of shares and power to issue shares every issue of shares or option to employees and/or Directors of the Company shall be approved by the Members in general meeting and no Director shall participate in such issue of shares or options unless shareholders in general meeting have approved the specific allotment to be made to such a Director and unless he holds office in an executive capacity provided that a non executive may also participate in an issue of shares pursuant to a public issue or offer for sale;		Allotment of shares and power to issue shares every issue of shares or options to employees and/or Directors and any participation in the Share Issuance Scheme of the Company shall be approved by the Members in general meeting and no Director shall participate in such issues of shares or options unless shareholders in general meeting have approved the specific allotment to be made to such a Director and unless he holds office in an executive capacity provided that a non executive may also participate in an issue of shares pursuant to a public issue or offer for sale;	

Article No.	Existing Articles	Amended Articles
To add Article 10A	*New Provision*	Company may give notice to require information of shareholdings The Company may by notice in writing without prejudice to the Company's right to require information or other matters from a Member under the Act or any other written law or howsoever require any Member within such reasonable time as is specified in the notice:- (a) to inform the Company whether he holds any voting shares in the Company as beneficial owner, authorised nominee or as trustee; and (b) if he holds them as trustee or authorised nominee, to indicate so far as he can the persons for whom he holds them by name and by other particulars sufficient to enable those persons to be identified and the nature of their interest.
To add Article 12(d)	*New Provision*	not cause or authorise its registrars to cause the Securities Accounts of the allottees to be credited with the additional securities until after the Company has filed with the Exchange an application for listing of such additional securities and been notified by the Exchange that the additional securities have been authorised for listing.
To add Article 61A	*New Provision*	Shares to be offered to members before issue Subject to the Listing Requirements and notwithstanding the existence of a resolution pursuant to Section 132D of the Act, the Company shall not issue any shares or convertible securities if the nominal value of those shares or convertible securities, when aggregated with the nominal value of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) of the nominal value of the issued and paid-up capital of the Company, except where the shares or convertible securities are issued with the prior approval of the Members in general meeting of the precise terms and conditions of the issue. Provided that in working out the number of shares or convertible securities that may be issued by the Company, if the security is a convertible security, each such security is counted as the maximum number of shares into which it can be converted or exercised.

Article No.	Existing Articles	Amended Articles
To amend Article 63	Notice to state time day and place of meeting Subject to Section 145A of the Act, all general meetings shall be held at such time, day and place as the Directors shall determine. Every notice of an annual general meeting shall specify the meeting as such and every meeting convened for the passing of a special resolution shall state the intention to propose such resolution as a special resolution.	Notice to state time day and place of meeting Subject to Section 145A of the Act, all general meetings shall be held at such time, day and place as the Directors shall determine, but shall be held in Malaysia. Every notice of an annual general meeting shall specify the meeting as such and every meeting convened for the passing of a special resolution shall state the intention to propose such resolution as a special resolution.
To add Article 75A	*New Provision*	Chairman to promote orderly conduct of the business of all general meetings Without prejudice to any other power which the Chairman may have under the provisions of these Articles or at common law and subject to the Act and the Listing Requirements, the Chairman may take such action as he thinks fit to promote the orderly conduct of the business of all general meetings as specified in the notice of such meetings and the Chairman's decision on matters of procedure or arising incidentally from the business of such meetings shall be final, as shall be his determination as to whether any matter is of such a nature.
To add Article 77A	*New Provision*	Objections If:- (a) any objection shall be raised to the qualification of any voter; (b) any votes have been counted which ought not to have been counted or which might have been rejected; or (c) any votes are not counted which ought to have been counted; the objection or error shall not vitiate the decision of the meeting on any resolution unless the same is raised or pointed out at the meeting or adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the Chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the Chairman decides that the same is of sufficient magnitude to vitiate the resolution or may otherwise have affected the decision of the meeting. The decision of the Chairman on such matters shall be final and conclusive.

Article No.	Existing Articles	Amended Articles
To add article 81A	*New Provision*	In what case poll taken without adjournment Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken forthwith at the meeting and without adjournment.
To amend Article 87	Rights to vote and appoint proxy Subject to any rights or restrictions for the time being attaching to any class or classes of shares and subject further to Articles 65(a), (b) and (c) above, at the meetings of Members or classes of Members each Member may vote in person or by proxy or by attorney in respect of any share or shares upon which all calls due to the Company has been paid and on a show of hands, every person present who is a Member or a representative or a proxy of a Member shall have one vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every such share he holds. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.	Rights to vote and appoint proxy Subject to any rights or restrictions for the time being attaching to any class or classes of shares and subject further to Articles 65(a), (b) and (c) above, at the meetings of Members or classes of Members each Member may vote in person or by proxy or by attorney in respect of any share or shares upon which all calls due to the Company has been paid and on a show of hands, every person present who is a Member or a representative or a proxy of a Member shall have one vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every such share he holds. A proxy shall be entitled to vote on a show of hands on any question at any general meeting of the Company or at a meeting of any class of members of the Company.
To add Article 87A	*New Provision*	Rights of proxy to speak A proxy appointed to attend and vote at a meeting shall have the same rights as the member to speak at the meeting.
To amend Article 88(b)	Appointment of one or more proxies Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.	Appointment of one or more proxies Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
To amend Article 96	Proxy to be in writing The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member of the Company and paragraphs (a) and (b) of Section 149(1) of the Act shall not apply. The Directors may, but shall not be bound to require evidence of the authority of any such attorney or officer. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.	Proxy to be in writing The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member of the Company and paragraphs (a) and (b) of Section 149(1) of the Act shall not apply. There shall be no restriction as to the qualification of the proxy. The Directors may, but shall not be bound to require evidence of the authority of any such attorney or officer. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

[End of Appendix I]

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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 ....

failing him/her, *the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 17 June 2013 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 2012 together with the Directors' and Auditors' Reports thereon		
Ordinary Resolution 2	Declaration of a first and final dividend of 3.34 sen per Ordinary Share of RM1.00 each less 25% Income Tax (2.5 sen net per Ordinary Share) for the financial year ended 31 December 2012		
Ordinary Resolution 3	Approval of Directors' Fees for the financial year ended 31 December 2012 and payment thereof		
Ordinary Resolution 4	Re-election of Mr Foo Lee Khean as Director (Article 103)		
Ordinary Resolution 5	Re-election of Ms Wern Li Morsingh as Director (Article 109)		
Ordinary Resolution 6	Re-election of Encik Ahmad @ Misron bin Yusof as Director (Article 109)		
Ordinary Resolution 7	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
Ordinary Resolution 8	Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		
Ordinary Resolution 9	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 10	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares		
Special Resolution	Proposed Amendments to the Articles of Association		

(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 2013

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. 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. 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. 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.

3. 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.

4. 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.

5. In respect of deposited securities, only members whose names appear on the Record of Depositors on 10 June 2013 (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.

Please fold here to seal

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.
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