SMIS Corporation Berhad

(491857-V)

Annual Report
2013

Contents

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
    - 99.86% PLASPOINT SDN. BHD.

Corporate Information

BOARD OF DIRECTORS

Ahmad @ Misron bin Yusof
(Independent Non-Executive Director)
(Chairman)

Ng Wai Kee
(Executive Director and Chief Executive Officer)

Yap Siew Foong
(Executive Director)

Foo Lee Khean
(Senior Independent Non-Executive Director)

Wern Li Morsingh
(Independent Non-Executive Director)

AUDIT AND RISK COMMITTEE

Foo Lee Khean
(Chairman)
Wern Li Morsingh
Ahmad @ Misron bin Yusof

NOMINATION COMMITTEE

Foo Lee Khean
(Chairman)
Wern Li Morsingh
Ahmad @ Misron bin Yusof

REMUNERATION COMMITTEE

Ahmad @ Misron bin Yusof
(Chairman)
Foo Lee Khean
Ng Wai Kee

BUSINESS ADDRESS

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

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Choong Lee Wah (MAICSA 7019418)

REGISTERED OFFICE

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

AUDITORS

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: 03-7720 1111

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)

WEBSITE

http://www.smis.com.my

Summary of Financial Highlights

In thousands of RM	2009	2010	2011	2012	2013
Revenue	67,803	97,487	110,009	115,639	**132,961**
Profit before tax	3,823	9,858	2,815	3,365	**8,014**
Profit for the year	3,230	8,472	132	1,232	**4,954**
Profit attributable to owners	4,605	6,113	(490)	854	**4,217**
Total equity attributable to owners	67,713	73,882	72,218	72,798	**76,374**
Total assets	85,675	96,699	100,263	109,939	**115,256**
Total liabilities	(17,703)	(20,199)	(24,046)	(32,768)	**(33,994)**
Total borrowings	-	-	(2,990)	(7,591)	**(7,725)**
Growth rate over previous years	**2009**	**2010**	**2011**	**2012**	**2013**
Revenue	(16.6%)	43.8%	12.8%	5.1%	**15.0%**
Profit before tax	12.8%	157.9%	(71.4%)	19.5%	**138.2%**
Profit for the year	42.0%	162.3%	(98.4%)	833.3%	**302.1%**
Total equity attributable to owners	6.1%	9.1%	(2.3%)	0.8%	**4.9%**
Total assets	3.1%	12.9%	3.7%	9.7%	**4.8%**
Total liabilities	(8.2%)	14.1%	19.0%	36.3%	**3.7%**
Total borrowings	* n/a	* n/a	* n/a	153.9%	**1.8%**
Share information	**2009**	**2010**	**2011**	**2012**	**2013**
Basic earnings per share (sen)	10.81	14.44	(1.16)	2.02	**9.99**
Net assets per share (RM)	1.51	1.65	1.61	1.62	**1.70**
Financial ratio	**2009**	**2010**	**2011**	**2012**	**2013**
Return on equity attributable to owners	4.77%	11.47%	0.18%	1.69%	**6.49%**
Return on total assets	3.77%	8.76%	0.13%	1.12%	**4.30%**
Debt equity ratio	* n/a	* n/a	0.04	0.10	**0.10**

Remarks :

**n/a = not applicable*

PROFILE OF DIRECTORS

Profile of Directors

AHMAD @ MISRON BIN YUSOF

Chairman, Independent Non-Executive Director

Ahmad @ Misron bin Yusof, a Malaysian, aged 70, 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 also the Chairman of Remuneration Committee and is a member of the Audit and Risk Committee and Nomination Committee.

He is an engineer by training, he graduated with a Professional Diploma in Engineering and holds a Master of Science in Industrial Management from Brighton Polytechnic, UK. He also has a Certificate in Policy for Public Enterprise from Harvard Univesity, USA. Encik Ahmad @ Misron 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 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, the post he held until his retirement 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 currently a director of Syarikat Permodalan Kebangsaan Berhad (since 2001), Hayat Insurance Brokers Sdn Bhd (since 2008) and Ambience Consulting Sdn Bhd (since 1999).

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 never been convicted for any offences within the past 10 years other than traffic offences, if any. His length of service in SMIS as at 15 May 2014 is 1 year.

NG WAI KEE

Executive Director and Chief Executive Officer

Ng Wai Kee, a Malaysian, aged 43, was appointed as an Executive Director of SMIS on 2 February 2002 and assumed the position of the Chief Executive Officer ("CEO") in 2013. He is also a member of the Remuneration Committee.

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

He is currently a Director of Malaysian Automotive Component Parts Manufacturers.

He is the son of Yap Siew Foong, a Director and major shareholder of the Company. Save for his shareholding in the Company as disclosed on page 106 of the annual report, he does not have any other conflict of interest with the Company and has never been convicted of any offences within the past 10 years other than traffic offences, if any. His length of service in SMIS as at 15 May 2014 is 12 years.

YAP SIEW FOONG

Executive Director

Yap Siew Foong, a Malaysian, aged 70, was appointed as an Executive Director of SMIS on 2 February 2002.

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

She is the mother of Ng Wai Kee. Save for her shareholding in the Company as disclosed on page 106 of the annual report, she does not have any other conflict of interest with the Company and has never been convicted of any offences within the past 10 years other than traffic offences, if any. Her length of service in SMIS as at 15 May 2014 is 12 years.

FOO LEE KHEAN
Senior Independent Non-Executive Director

Foo Lee Khean, a Malaysian, aged 51, was appointed to the Board of Directors of SMIS on 26 November, 2007, as an Independent Non-Executive Director. He is also the Chairman of Audit and Risk Committee and Nomination Committee and is a member of the Remuneration Committee.

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 PricewaterhouseCoopers ("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 serves as Director of SYF Resources Berhad, Kumpulan Jetson Berhad and Systech Bhd.

He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has never been convicted for any offences within the past 10 years other than traffic offences, if any. His length of service in SMIS as at 15 May 2014 is 6 years.

WERN LI MORSINGH
Independent Non-Executive Director

Wern Li Morsingh, a Malaysian, aged 41, was appointed to the Board of Directors of SMIS on 28 November 2012 as an Independent Non-Executive Director. She is a member of the Audit and Risk Committee and Nomination Committee.

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

She served as a legal assistant in 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 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 never been convicted for any offences within the past 10 years other than traffic offences, if any. His length of service in SMIS as at 15 May 2014 is 1 year.

Details of attendance of Board Meetings

The details of attendance of each Director at Board Meetings are set out on page14 of the Annual Report.

Chairman's Statement

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

FINANCIAL PERFORMANCE

Revenue for the year was RM133m against RM116m for 2012. Profit before tax improved by RM4.7m to RM8.0m from the previous year.

AUTOMOTIVE SEGMENT

Turnover for the segment grew by 17.7% recording revenue of RM113m compared to RM96m in 2012. The Total Industry Volume grew by 4.5% in 2013. Going forward we expect this segment to continue being the main contributor to the Group.

Operational and cost efficiency drives which have contributed to better profits will be supplemented with material/supplier development programs and technology and technical enhancements. We expect stable and marginal growth for the segment in line with the Malaysian Automotive Association forecast of a 2.0% growth in the Total Industry Volume for 2014.

MACHINERY PARTS

The Machinery Parts segment faced a challenging 2013 which saw many projects based sales put on hold as direct result of many customers delaying their investments. Sales of spares (non-project based) remain highly competitive and price sensitive as more products offerings are made available to customers.

The segment recorded a turnover of RM16m against RM18m in 2012. We expect the segment to remain highly competitive as we continue to explore new markets and build on existing.

PLASTIC

Revenue for Plastic segment was RM3.6m against RM1.6m in 2012. Whilst still not significant; efforts developing new products and customized solution for customers is beginning to pay off as orders are beginning to grow.

We remain optimistic that the segment will continue to grow. As demand from the EU and America remains weak the company will continue to develop new clients and product applications to cater for the emerging markets.

APPRECIATION

On behalf of the Board of Directors, I extend my appreciation to the employees of the company for their dedication and perseverance. I would also like to express our gratitude to the stakeholders, shareholders, customers, suppliers and bankers for their continued support and trust.

Thank you,

Ahmad @ Misron bin Yusof
Chairman

The Board of Directors ("the Board') of SMIS Corporation Berhad ("the Company") is committed to ensure that 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 throughout the financial year ended 31 December 2013 and up to the date of this report.

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 three (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 the principal responsibilities of the Board in discharging its fiduciary and leadership functions:

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

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

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

iv) setting, reviewing and ensuring compliance with the Company's principles, values and ethos of the Company;

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

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

vii) reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; 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 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 conduct and help foster a culture of honesty and accountability.

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

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 has approved and adopted 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 16 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 and external advisers may be invited to attend the Board and Board Committees' meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda and 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 Committees papers circulated to Directors prior to the Board and Board Committees' meetings, to enable the Board and Board Committees to make 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 and in accordance with established procedures set out in the Board Charter.

Company Secretaries

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

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

The Company Secretaries attend 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. The removal of Company Secretaries, if any, is a matter for the Board as a whole, to decide.

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 five (5) directorships in listed issuer in Malaysia. A brief profile of each Director is presented on pages 5 to 7 of this Annual Report. Mr Foo Lee Khean has been identified as the Senior Independent Non-Executive Director.

NC

The NC comprises three (3) members, all of whom are Independent Non-Executive Directors and the members are as follows:-

Foo Lee Khean	Chairman *(Senior Independent Non-Executive Director)*
Ahmad @ Misron bin Yusof	Member *(Independent Non-Executive Director)*
Wern Li Morsingh	Member *(Independent Non-Executive Director)*

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

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

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

During the financial year under review, one (1) Committee meeting was held and attended by all its members. Another Committee meeting was also held in February 2014 and the NC had 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 Financial Controller, 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 five (5) Directors.

Directors' Training

The Board, via the NC, continues to identify and attend appropriate briefings, seminars, conferences and courses to keep abreast of changes in legislations and regulations affecting the Group.

All Directors have attended and 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 2013 are as follows:

No	Name of Director	Programme	Date Attended
1	Ahmad @ Misron bin Yusof	Vistage Chief Executive Program	17 September 2013
2	Ng Wai Kee	Sustainability Reporting Awareness Training	19-20 August 2013
3	Yap Siew Foong	2014 Budget Highlights & Succession Planning Seminar	8 November 2013
4	Foo Lee Khean	Corporate Governance and Ethics: Strengthening Professionalism Through Ethics	20 April 2013
		Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers	21 May 2013
		The Laws on Investment in Cambodia	18 June 2013
		Essential of Fundamental Analytics I : Analysing Company Performance	12 October 2013
		Corporate Governance Statement Reporting Workshop	29 October 2013
5	Wern Li Morsingh	2013 Audit Committee Institute Breakfast Roundtable Series	13 December 2013
		Bar Wars! Intellectual Property Valuation	10-11 January 2013
		Political Philosophy and Power: Democracy in Malaysia	17 July 2013
		Defamation: Latest Trends and Damages Awarded	28 August 2013
		Till the Cows Come Home: How to Milk the Most from a Licensing Deal	6 September 2013
		Constitutional Law	27 September 2013
		Tax Avoidance: Insights into the Legislative Provisions and Case Law	18 October 2013
		Tweeting to Tears: Top 9 Legal Issues in Social Media	29 November 2013
		Audit Committee Institute's "Study on Non-Executive Directors 2013 – Profile and Pay"	13 December 2013

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

RC

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

Ahmad @ Misron bin Yusof	Chairman *(Independent Non-Executive Director)*
Foo Lee Khean	Member *(Senior Independent Non-Executive Director)*
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 for shareholders' approval at the Company's Annual General Meeting.

Directors' Remuneration

A summary of the remuneration of Directors distinguishing between Executive and Non-Executive Directors in aggregate, with categorization into appropriate components and the number of Directors whose remuneration falls into each successive bands of RM50,000 for the financial year ended 31 December 2013 are disclosed below:-

Aggregate remuneration:

Category of Remuneration	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Basic Salary	665,281	-	665,281
Bonus	129,500	-	129,500
Fees	24,000	81,000	105,000
Attendance Fee	-	18,500	18,500
*Others	15,477	-	15,477
Total	**834,258**	**99,500**	**933,758**

** Others include SOCSO and benefits in-kind.*

Number of Directors whose remuneration falls into the following bands:

	Number of Director		
Remuneration Band	**Executive**	**Non-Executive**	**Total**
RM150,000 and below	-	3	3
RM200,001 to RM250,000	1	-	1
RM450,001 to RM500,000	1	-	1
Total	**2**	**3**	**5**

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 plans, policies and decisions adopted by the Board and oversees the operations and business development of the Group.

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

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 mix of skills and experience to discharge the Board's duties and responsibilities.

During the Committee meeting held in February 2014, the Board had assessed the independence of its Independent Non-Executive Directors based on criteria developed by the NC and generally satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

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.

The three (3) Independent Non-Executive Directors have served the Board of SMIS for less than eight (8) years. Their tenure of service is set out in the Directors' Profile of this Annual Report.

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 consideration of Directors. The agenda, relevant reports and Board papers are furnished to Directors and Board Committees members in advance to allow the Directors to have the sufficient time to peruse for effective discussion and decision making during meetings. The Chairman of the ARC will brief the Directors at each Board meeting 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 the Directors to devote sufficient time and efforts to carry out their responsibilities. It is also the Board's policy for the 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 2013, the Board met five (5) times to deliberate and consider matters pertaining to the Group's financial performance, significant investments, corporate development, strategic issues and business plans. The details of attendance of the Directors are as follows:-

Name of Director	Designation	No. of Meetings Attended
Ahmad @ Misron bin Yusof	Independent Non-Executive Director, Chairman	5/5
Foo Lee Khean	Senior Independent Non-Executive Director	5/5
Wern Li Morsingh	Independent Non-Executive Director	5/5
Ng Wai Kee	Executive Director	5/5
Yap Siew Foong	Executive Director	5/5

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 19 to 21 under the 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 24 of this Annual Report.

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.

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

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 internal audit function to an independent professional services firm, 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 page 21 of this Annual Report.

Principle 7 – Ensure timely and high quality disclosure

The Board has implemented the corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulators, shareholders and stakeholders. Steps will be taken to formalise pertinent corporate disclosure policies to comply with the disclosure requirements as stipulated in the 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 shareholders

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.

(b) Share Buy-Back

The details of shares bought back and retained as treasury shares during the financial year ended 31 December 2013 are set out as below:-

	Number of SMIS Shares Purchased	Highest Price RM	Lowest Price RM	Average Price RM	Total Amount Paid RM
Jan-13	-	-	-	-	-
Feb-13	-	-	-	-	-
Mar-13	10,000	0.41	0.41	0.41	4,146
Apr-13	-	-	-	-	-
May-13	-	-	-	-	-
Jun-13	-	-	-	-	-
Jul-13	-	-	-	-	-
Aug-13	10,000	0.58	0.58	0.58	5,823
Sep-13	-	-	-	-	-
Oct-13	-	-	-	-	-
Nov-13	-	-	-	-	-
Dec-13	-	-	-	-	-
Total	**20,000**	**-**	**-**	**-**	**9,969**

(c) Option or Convertible Securities

There were no option or convertible securities exercised during the financial year ended 31 December 2013.

(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 2013.

(e) Recurrent Related Party Transactions

The details of the transactions with related parties undertaken by the Company during the financial year ended 31 December 2013 are disclosed in note 29 on pages 87 to 89 of the notes to the financial statements and in the Circular to Shareholders, dated 15 May 2014.

(f) Non-Audit Fees

The total non-audit fees paid and payable to external auditors during the financial year ended 31 December 2013 amounted to RM30,000.00.

(g) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company, Directors or Management by the relevant regulatory authorities during the financial year ended 31 December 2013.

(h) Depository Receipt Programme

There was no Depository Receipt Programme sponsored by the Company during the financial year ended 31 December 2013.

(i) Variance of Actual Profit from the Forecast Profit

There was no profit estimation, forecast or projection made or released by the Company during the financial year ended 31 December 2013.

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

(j) Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 31 December 2013.

(k) Utilisation of Proceeds

There were no proceeds raised from any proposal during the financial year ended 31 December 2013.

Audit and Risk Committee Report

The Board is pleased to present the Audit and Risk Committee Report ("ARC") for the financial year ended 31 December 2013 in accordance with Paragraph 15.15 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

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

Attendance at Meetings

Members of the ARC and details of their attendance at meetings during the financial year ended 31 December 2013 are as follows:

Composition of Committee	No. of Meetings Attended
Foo Lee Khean Chairman *(Senior Independent Non-Executive Director)*	5/5
Ahmad @ Misron bin Yusof Member *(Independent Non-Executive Director)*	5/5
Wern Li Morsingh Member *(Independent Non-Executive Director)*	5/5

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 ARC

1. OBJECTIVES

The objectives of ARC 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 ARC 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 ARC 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 ARC must be composed of no fewer than 3 members;

(b) all members of the ARC should be Non-Executive Directors;

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

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

  (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 ARC.

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

The Board must review the term of office and performance of the ARC 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 ARC.

5. FUNCTIONS

The functions of the ARC 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 appointment or termination of senior staff members 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 ARC. 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 ARC is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the ARC shall promptly report such matter to Bursa Securities; and
- To consider other areas as defined by the board.

6. RIGHTS OF THE ARC

The ARC 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 ARC shall engage on a continuous basis with senior management, such as the Chairman, the CEO 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 ARC

In accordance with the Terms of Reference of the ARC, the following activities were undertaken by the ARC during the financial year ended 31 December 2013:

(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 management action plans are 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 System.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

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

The activities of the Internal Audit Function during the financial year ended 31 December 2013 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 ARC.

(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 ARC.

(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.

Total professional fees paid for outsourcing of internal audit function for the financial year ended 31 December 2013 was RM77,500 (2012 - RM60,000).

This report is made in accordance with the approval of the Board of Directors dated 28 April 2014.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board is pleased to provide SMIS Corporation Berhad's Statement on Risk Management and Internal Control which outlines the nature and scope of its risk management and internal controls of the Group during the financial year ended 31 December 2013. 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 its responsibility for the Group's risk management and internal control system, which includes the establishment of an appropriate internal control environment and framework, reviewing the 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 system 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 misstatements or losses.

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

1. Risk Management System

The Board recognises that 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 its scheduled meetings, if any.

During the financial year under review, the Management together with the assistance of external consultants, updated the key risk profiles of the key subsidiaries of the Group. The results of this update exercise were tabled to the ARC at their meeting on 19 November 2013.

The above mentioned practices of the Group serves as an 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 considers the existing risk management practices adequate for the identification and mitigation of risks. Nevertheless, the Board shall continue to evaluate the existing risk management practices, and where appropriate and necessary, revise such practices accordingly.

2. Internal Controls System

Apart from having periodic internal audits, key elements of the Group's internal controls system are as follows:

- An organisational structure, which clearly defines the lines of responsibility, proper segregation of duties and delegation of authority.
- Rigorous review of key information such as financial performance, key business indicators, management accounts and detailed budgets by the Board and ARC.
- The Executive Directors are closely involved in the running of business and operations of the Group. They report to the Board on significant changes in the business and external environment, which may affect the operations of the Group at large.
- Operations review meetings are held by the Management on a monthly basis to monitor the progress of business operations, deliberate significant issues and formulate appropriate measures.

- Certain of the Group's operations are certified by ISO 9001:2008, 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 9001:2008 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 enhances 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 independent professional services to assist the Board and the ARC in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The internal auditors report directly to the ARC. The scope of review of the outsourced internal audit function is determined and approved by the ARC.

During the financial year ended 31 December 2013, internal audit review was carried out in accordance with the internal audit plan approved by the ARC. Findings from the internal audit reviews, including the recommended improvement were presented to the ARC at their quarterly 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 financial year ended 31 December 2013 was RM77,500 (2012 – RM60,000).

ASSURANCE FROM MANAGEMENT

The CEO 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 and internal control system of the Group.

CONCLUSION

For the year under review, the Board is of the view that the Group's system of risk management and internal control is adequate to safeguard shareholders' interests and the Group's assets. However, the Board is also aware that internal control system 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 28 April 2014.

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 2013 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 of the Company as at 31 December 2013, and of their financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2013.

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

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 2013.

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
Profit net of tax	4,954	2,411
Other comprehensive income for the financial year, net of tax	153	-
Total comprehensive income for the financial year	5,107	2,411
Profit attributable to:		
Owners of the Company	4,217	2,411
Non-controlling interests	737	-
	4,954	2,411
Total comprehensive income attributable to:		
Owners of the Company	4,643	2,411
Non-controlling interests	745	-
	5,388	2,411

DIVIDENDS

The dividends paid by the Company since the end of the previous financial year were as follows:

	RM'000
First and final dividend of 3.34 sen per ordinary share of RM1/- each less 25% tax (2.5 sen net per ordinary share) on 42,209,900 ordinary shares in respect of the financial year ended 31 December 2012, approved by the shareholders at the Annual General Meeting on 17 June 2013 and payable on 28 June 2013	1,057
	1,057

At the forthcoming Annual General Meeting, a first and final single tier dividend of 2.5 sen per ordinary share of RM1/- each in respect of the financial year ended 31 December 2013 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 2014.

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 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.

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 20,000 of its issued ordinary shares from the open market at an average price of RM0.494 per share. The total consideration paid was approximately RM9,969/- including transaction cost of RM94/-. The repurchased transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2013, the Group held 2,600,100 (2012: 2,580,100) of the Company's shares. The number of outstanding ordinary shares of RM1/- each in issue after the set off is 42,199,900 (2012: 42,219,900)

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 and at the date of this report are:

Ng Wai Kee
Yap Siew Foong
Foo Lee Khean
Ahmad @ Misron bin Yusof
Wern Li Morsingh

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 2013 are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
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 29 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 29 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: 28 April 2014

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 34 to 102 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 2013 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 103 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: 28 April 2014

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 102, and the supplementary information set out on page 103 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

……………………………………………..
NG WAI KEE

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 28 April 2014.

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 2013 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 102.

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 2013 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 103 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

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: 28 April 2014

Consolidated Statement of Financial Position

As at 31 December 2013

		Group	
		2013	2012
	Note	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	31,570	29,730
Investment properties	6	477	500
Intangible assets	7	710	1,322
Deferred tax assets	9	1,286	961
Total non-current assets		34,043	32,513
Current assets			
Trade and other receivables	10	36,443	34,420
Prepayments		3,392	2,647
Inventories	11	16,753	13,651
Tax recoverable		546	223
Cash and bank balances	12	24,079	26,485
Total current assets		81,213	77,426
TOTAL ASSETS		115,256	109,939
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	13	44,800	44,800
Treasury shares	14	(1,166)	(1,156)
Reserves	15	32,740	29,154
Total equity attributable to owners of the Company		76,374	72,798
Non-controlling interests		4,888	4,373
Total equity		81,262	77,171

Consolidated Statement of Financial Position

As at 31 December 2013

Continued

		Group	
		2013	2012
	Note	RM'000	RM'000
Non-current liabilities			
Loans and borrowings	16	2,227	2,510
Other financial liabilities	17	426	707
Deferred tax liabilities	9	182	253
Total non-current liabilities		2,835	3,470
Current liabilities			
Loans and borrowings	16	5,498	5,081
Provision for warranties	18	489	815
Trade and other payables	19	24,638	23,047
Tax payable		534	355
Total current liabilities		31,159	29,298
Total liabilities		33,994	32,768
TOTAL EQUITY AND LIABILITIES		115,256	109,939

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

Statement of Financial Position

As at 31 December 2013

	Note	Company 2013 RM'000	Company 2012 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	-	-
Investment in subsidiaries	8	64,908	64,908
Total non-current assets		64,908	64,908
Current assets			
Trade and other receivables	10	8,097	7,790
Tax recoverable		43	-
Cash and bank balances	12	1,043	299
Total current assets		9,183	8,089
TOTAL ASSETS		74,091	72,997
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	13	44,800	44,800
Treasury shares	14	(1,166)	(1,156)
Reserves	15	30,305	28,951
Total equity attributable to owners of the Company		73,939	72,595
Current liabilities			
Trade and other payables	19	152	402
Total current liabilities		152	402
Total liabilities		152	402
TOTAL EQUITY AND LIABILITIES		74,091	72,997

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

Statements of Comprehensive Income

For the Financial Year ended 31 December 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Revenue		132,961	115,639	2,738	8,000
Cost of sales		(108,121)	(93,663)	-	-
Gross profit		24,840	21,976	2,738	8,000
Other operating income		1,258	654	48	-
Distribution expenses		(1,450)	(1,328)	-	-
Administrative expenses		(13,547)	(15,029)	(418)	(627)
Other operating expenses		(2,771)	(2,917)	-	-
Operating profit	21	8,330	3,356	2,368	7,373
Finance income		252	390	-	-
Finance costs	22	(568)	(381)	-	-
Profit before taxation		8,014	3,365	2,368	7,373
Taxation	23	(3,060)	(2,133)	43	(2,000)
Net profit for the financial year		4,954	1,232	2,411	5,373
Other comprehensive income for the financial year, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of financial liabilities		281	-	-	-
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		241	(109)	-	-
Available-for-sale financial assets - reclassified to profit or loss		(88)	(164)	-	-
Total comprehensive income for the financial year		5,388	959	2,411	5,373
Profit attributable to:					
Owners of the Company		4,217	854	2,411	5,373
Non-controlling interests		737	378	-	-
		4,954	1,232	2,411	5,373
Total comprehensive income attributable to:					
Owners of the Company		4,643	585	2,411	5,373
Non-controlling interests		745	374	-	-
		5,388	959	2,411	5,373
Earnings per ordinary share (sen):					
- basic	24	9.99	2.02		
- diluted	24	2.02	2.02		

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

Consolidated Statement of Changes in Equity

For the Financial Year ended 31 December 2013

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 2013	44,800	4,891	(1,156)	(180)	88	24,355	72,798	4,373	77,171
Fair value of available-for-sale financial assets	-	-	-	-	(88)	-	(88)	-	(88)
Remeasurement of financial liabilities	-	-	-	-	-	281	281	-	281
Foreign currency translation reserve	-	-	-	233	-	-	233	8	241
Total other comprehensive income for the financial year	-	-	-	233	(88)	281	426	8	434
Profit net of tax for the year	-	-	-	-	-	4,217	4,217	737	4,954
Total comprehensive income for the financial year	-	-	-	233	(88)	4,498	4,643	745	5,388
Contibutions by and distribution to owners of the company									
- Purchase of own shares	-	-	(10)	-	-	-	(10)	-	(10)
- Dividends to owners of the Company (Note 25)	-	-	-	-	-	(1,057)	(1,057)	(158)	(1,215)
- Derecognition of subsidiary	-	-	-	-	-	-	-	(72)	(72)
Total transaction with owners of the company	-	-	(10)	-	-	(1,057)	(1,067)	(230)	(1,297)
At 31 December 2013	44,800	4,891	(1,166)	53	-	27,796	76,374	4,888	81,262
At 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)
Profit net of tax for the year	-	-	-	-	-	854	854	378	1,232
Total comprehensive income for the financial year	-	-	-	(105)	(164)	854	585	374	959
Contibutions by and distribution to owners of the company									
- Purchase of own shares	-	-	(5)	-	-	-	(5)	-	(5)
Total transaction with owners of the company	-	-	(5)	-	-	-	(5)	-	(5)
At 31 December 2012	44,800	4,891	(1,156)	(180)	88	24,355	72,798	4,373	77,171

Statement of Changes in Equity

For the Financial Year ended 31 December 2013

Continued

Company	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
	Non-distributable			*Distributable*	
At 1 January 2012	44,800	4,891	(1,151)	18,687	67,227
Profit and total comprehensive income for the year	-	-	-	5,373	5,373
Contributions by and distributions to owners of the Company					
- Purchase of own shares	-	-	(5)	-	(5)
At 31 December 2012	44,800	4,891	(1,156)	24,060	72,595
Profit and total comprehensive income for the year	-	-	-	2,411	2,411
Contributions by and distributions to owners of the Company					
- Purchase of own shares	-	-	(10)	-	(10)
- Dividends to owners of the Company (Note 25)	-	-	-	(1,057)	(1,057)
Total transactions with owners of the Company	-	-	(10)	(1,057)	(1,067)
At 31 December 2013	44,800	4,891	(1,166)	25,414	73,939

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

Statements of Cash Flows

For the Financial Year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit before taxation		8,014	3,365	2,368	7,373
Adjustments for:					
Amortisation of intangible assets		-	195	-	-
Bad debts written-off		-	972	-	35
Impairment loss on trade receivables		788	149	-	-
Intangible assets written-off		612	700	-	-
Inventory written-down		309	-	-	-
Inventory written off		5	-	-	-
Depreciation of:					
- investment properties		23	22	-	-
- property, plant and equipment		4,964	4,129	-	-
Dividend income from subsidiaries		-	-	(2,738)	(8,000)
Gain on disposal of:					
- other investments		(88)	(229)	-	-
- property, plant and equipment		(69)	(34)	-	-
Finance income		(233)	(390)	-	-
Property, plant and equipment written off		2	2	-	-
Finance costs		495	302	-	-
Reversal of impairment loss on:					
- inventories		(112)	(14)	-	-
- trade receivables		(42)	(6)	-	-
Unrealised foreign exchange gain		(82)	(37)	-	-
Unrealised foreign exchange loss		73	-	-	-
Operating profit/(loss) before working capital changes		14,659	9,126	(370)	(592)
Changes in Working Capital:					
Inventories		(3,304)	1,232	-	-
Receivables		(3,426)	(6,319)	(307)	(7,558)
Payables		1,082	4,521	(250)	207
		9,011	8,560	(927)	(7,943)
Interest paid		(495)	(302)	-	-
Tax refund		-	270	-	-
Tax paid		(3,597)	(3,162)	-	-
Net cash generate from/ (used in) operating activities carry forward		4,919	5,366	(927)	(7,943)

Statements of Cash Flows

For the Financial Year ended 31 December 2013

Continued

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Net cash generate from/(used in) operating activities brought forward		4,919	5,366	(927)	(7,943)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of:					
- property, plant and equipment	(i)	(6,714)	(7,376)	-	-
Dividend income		-	-	2,738	6,000
Interest received		233	390	-	-
Proceed from disposal of:					
- property, plant and equipment		69	34	-	-
Net cash (used in)/generated from investing activities		(6,412)	(6,952)	2,738	6,000
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividend paid		(1,215)	-	(1,057)	-
Purchase of treasury shares		(10)	(5)	(10)	(5)
Drawdown of term loan		-	2,550	-	-
Drawdown of other borrowings		655	1,695	-	-
Repayment of term loan		(124)	(69)	-	-
Repayment of hire purchase liabilities		(147)	-	-	-
Net cash generate from/(used in) financing activities		(841)	4,171	(1,067)	(5)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(2,334)	2,585	744	(1,948)
EXCHANGE RATE FLUCTUATIONS RESERVE		178	(125)	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		23,370	20,910	299	2,247
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		21,214	23,370	1,043	299
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Short term investments		3,798	2,693	1,022	-
Deposits placed with licensed banks		5,432	5,297	-	-
Cash at banks and on hand		14,849	18,495	21	299
Bank overdraft		(2,865)	(3,115)	-	-
		21,214	23,370	1,043	299

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM6,742,000/- (2012: RM8,091,000/-) of which RM Nil (2012: RM300,000/-) was acquired by means of the hire purchases arrangement and an amount of RM28,000/- (2012: RM415,000/-) 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 28 April 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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.

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 reported 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int

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

New MFRSs	
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
Revised MFRSs	
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments/Improvements to MFRSs	
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting
New IC Int	
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Int	
IC Int 2	Members’ Shares in Co-operative Entities & Similar Instruments

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

The adoption of the above new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:-

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 controlled entities and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

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.

The Group adopted MFRS 10 in the current financial year. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiaries, jointly controlled entities, associates 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. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries.

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. As a result of the guidance in MFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair values measurement of liabilities.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group. MFRS 13 requires more extensive disclosures. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

MFRS 119 Employee Benefits (Revised)

MFRS 119 (Revised) eliminates the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

The adoption of MFRS 119 (Revised) has no significant impact to the financial statements of the Group.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at future point in time have to be presented separately from items that will not be reclassified.

These amendments also clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012.

The amendments also introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'.

The above amendments affect presentation only and have no impact on the Group's financial position or performance.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 addresses disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Amendment to MFRS 116 Property, Plant and Equipment

Amendment to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 10 clarifies that the date of initial application is the beginning of the annual reporting period for which this MFRS is applied for the first time. Consequently, an entity is not required to make adjustments to the previous accounting if the consolidation conclusion reached upon the application of MFRS 10 is the same as previous accounting or the entity had disposed of its interests in investees during a comparative period. When applying MFRS 10, these amendments also limit the requirement to present quantitative information required by Paragraph 28(f) of MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors to the annual period immediately preceding the date of initial application. A similar relief is also provided in MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structure entities in periods prior to the first annual period that MFRS 12 is applied.

If, upon applying MFRS 10, an entity conclude that it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of the revised versions of these standards issued by the Malaysian Accounting Standards Board in November 2011, these amendments also clarify that an entity can apply the earlier versions of MFRS 3 Business Combinations and MFRS 127.

These amendments are not expected to have any significant impact on the financial results and position of the Group and the Company.

Amendment to MFRS 132 Financial Instruments: Presentation

Amendment to MFRS 132 clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 Income Taxes.

Amendment to MFRS 134 Interim Financial Reporting

To be consistent with the requirements in MFRS 8 *Operating Segments*, the amendment to MFRS 134 clarifies that an entity shall disclose the total assets and liabilities for a particular reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New 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 MFRS, amendments/improvements to MFRSs and new IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") 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
New MFRS		
MFRS 9	Financial Instruments	To be announced by MASB
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 7	Financial Instruments: Disclosures	Applies when MFRS 9 is applied
MFRS 8	Operating Segments	1 July 2014
MFRS 9	Financial Instruments	To be announced by MASB
MFRS 10	Consolidated Financial Statements	1 January 2014
MFRS 12	Disclosure of Interests in Other Entities	1 January 2014
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 116	Property, Plant and Equipment	1 July 2014
MFRS 119	Employee Benefits	1 July 2014
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2014
MFRS 136	Impairment of Assets	1 January 2014
MFRS 138	Intangible Assets	1 July 2014
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2014
MFRS 139	Financial Instruments: Recognition and Measurement	Applies when MFRS 9 is applied
MFRS 140	Investment Property	1 July 2014
New IC Int		
IC Int 21	Levies	1 January 2014

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. The Group and the Company do not anticipate that the application of the above new, revised, amendments/improvements to accounting standards and IC Int when they are effective will have a material impact on the financial position and the financial performance of the Group and of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

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.

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 9 Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The most significant improvements apply to those that hedge non-financial risk, and they are expected to be of particular interest to non-financial institutions. As a result of these changes, users of the financial statements will be provided with better information about risk management and about the effect of hedge accounting on the financial statements. The MFRS 9 hedge accounting model, if adopted, applies prospectively with limited exceptions.

As part of the Amendments, an entity is now allowed to change the accounting for liabilities that it has elected to measure at fair value, before applying any of the other requirements in MFRS 9. This change in accounting would mean that gains caused by a worsening in the entity's own credit risk on such liabilities are no longer recognised in profit or loss. The Amendments will facilitate earlier application of this long-awaited improvement to financial reporting.

The Amendments also remove the mandatory effective date from MFRS 9.

Amendments to MFRS 2 Share-based Payment

Amendments to MFRS 2 clarifies the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. It also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, amendments to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 *Joint Arrangements*) in the financial statements of the joint arrangement itself.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The Amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 127 Separate Financial Statements

Amendments to MFRS 10 introduces an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investment in particular subsidiaries at fair value thorough profit or loss in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement* instead of consolidating those subsidiaries in its consolidated financial statements. Consequently, new disclosure requirements related to investment entities are introduced in amendments to MFRS 12 and MFRS 127.

In addition, amendments to MFRS 127 also clarifies that if a parent is required, in accordance with paragraph 31 of MFRS 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with MFRS139, it shall also account for its investment in that subsidiary in the same way in its separate financial statements.

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The Amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 *Financial Instruments: Presentation*.

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

Amendments to MFRS 116 and MFRS 138 clarifies the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that:

- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and
- the accumulated depreciation/amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 provides a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

However, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

Amendments to MFRS 132 Financial Instruments: Presentation

Amendments to MFRS 132 does not change the current offsetting model in MFRS 132. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off', that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendments clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Amendments to MFRS 136 Impairment of Assets

Amendments to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

Amendments to MFRS 139 Financial Instruments: Recognition and Measurement

Amendments to MFRS 139 provides relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. As a result of the amendments, continuation of hedge accounting is permitted if as a consequence of laws or regulations, the parties to hedging instrument agree to have one or more clearing counterparties replace their original counterparty and the changes to the terms arising from the novation are consistent with the terms that would have existed if the novated derivative were originally cleared with the central counterparty.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(b) New MFRSs, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

IC Int 21 Levies

IC Int 21 addresses the accounting for a liability to pay a government levy (other than income taxes and fine or other penalties that imposed for breaches of the legislation) if that liability is within the scope of MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*. This interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers the payment of the levy, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is recognised progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specific minimum threshold is reached.

3. 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 incorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, 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.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presented exercisable.

- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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. 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.

For new acquisitions, 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 acquiree 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.

(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) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interest and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) 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.

(vi) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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. Capital work-in-progress is stated at cost and is not depreciated until it is ready for its intended use. Upon completion, capital work-in-progress is transferred to categories of property, plant and equipment, depending on the nature of the assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leased assets

(i) Finance lease

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

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

(ii) Operating lease

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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 non-occurrence 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. 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 purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Equity instrument

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

(i) 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.

(ii) Distribution of assets to owners of the company

The group measures a liability to distribute assets as a dividend to the owner of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustment to the amount of distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(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. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(s) Fair value measurements

From 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

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.

4.1 Judgements Made in Applying Accounting Policies

In the process of applying the Group's accounting policies, the management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Classification and Impairment of Financial Assets

The Group have classified certain of its financial assets as available for sale investments. In applying the accounting policy, the Group assesses its nature and the intention at the end of each reporting period. Should the circumstances change in the future, the classification for these financial assets may no longer appropriate.

During the financial year, the management consider the available-for-sale financial assets to be short term in nature and therefore these have been reclassified to the current assets as short term investments included in the cash and cash equivalents.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.1 Judgements Made in Applying Accounting Policies (Continued)

(ii) Leases

The Group judged that the leasehold land of the Group are in substance finance leases and has classified its leasehold land as property, plant and equipment.

4.2 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.

(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

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.

Based on management's estimation of the present value of future cash flows generated by the subsidiary, the Group has impaired the goodwill and group customers relationship of RM612,000/- during the financial year.

(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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.2 Key source of estimation uncertainty (Continued)

(iv) Impairment of investment in subsidiaries (Continued)

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) 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.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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.

Notes to the Financial Statements

Continued

5. PROPERTY, PLANT AND EQUIPMENT

Group	Land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings and renovations RM'000	Motor vehicles RM'000	Moulds and jigs RM'000	Capital in progress RM'000	Total RM'000
Cost								
At 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/ 1 January 2013	6,961	14,568	39,592	10,452	2,095	6,581	-	80,249
Additions	-	-	2,005	1,388	512	1,458	1,379	6,742
Disposals/write off	-	-	(102)	(4)	(526)	(36)	-	(668)
Exchange differences	93	-	-	-	-	-	-	93
At 31 December 2013	7,054	14,568	41,495	11,836	2,081	8,003	1,379	86,416
Depreciation and impairment loss								
At 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/ 1 January 2013								
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
Depreciation for the financial year	124	280	2,326	830	311	1,093	-	4,964
Disposals/write off	-	-	(102)	-	(526)	(9)	-	(637)
At 31 December 2013								
Accumulated depreciation	922	4,957	31,119	8,309	1,185	5,798	-	52,370
Accumulated impairment loss	-	-	2,244	208	-	24	-	2,476
	922	4,957	33,443	8,517	1,185	5,822	-	54,846
Carrying amounts								
At 31 December 2012	6,163	9,891	8,373	2,765	695	1,843	-	29,730
At 31 December 2013	6,132	9,611	8,052	3,319	896	2,181	1,379	31,570

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Office equipment RM'000
Cost	
At 1 January 2012/ 31 December 2013	9
Accumulated depreciation	
At 1 January 2012/ 31 December 2013	9
Carrying amounts	
At 31 December 2012	-
At 31 December 2013	-

5.1 Security

During the financial year, the following securities are placed:

(i) A freehold land and building of the Group with carrying amount of RM3,379,886/- (2012: RM3,435,171) has been assigned/ pledged to a licensed bank as security for borrowings/ banking facilities granted to a subsidiary. As at 31 December 2013, the Group has not utilised the banking facilities.

(ii) A freehold land and building of the Group with carrying amount of RM3,094,000/- (2012: RM3,126,000/-) has been pledged to a licensed bank as security for term loans granted to a subsidiary as disclosed in Note 16 to the financial statements.

5.2 Land

Included in the carrying amounts of land are:

	Group	
	2013 RM'000	2012 RM'000
Freehold land	3,127	3,127
Leasehold land with unexpired lease period of		
- more than 50 years	1,171	1,187
- less than 50 years	1,834	1,849
	6,132	6,163

5.3 Asset under hire purchase arrangement

(i) The carrying amounts of motor vehicles at the Group as at financial year end held under hire purchase arrangement amounted to RM282,000/- (2012: RM353,000/-).

(ii) The carrying amount of a freehold land and building at the Group as at financial year end held under term loan facility amounted to RM3,094,000/- (2012:RM3,126,000/-)

6. INVESTMENT PROPERTIES

Group	Buildings 2013 RM'000	Buildings 2012 RM'000
Cost		
At 1 January / 31 December	1,949	1,949
Depreciation and impairment loss		
At 1 January		
Accumulated depreciation	753	731
Accumulated impairment loss	696	696
	1,449	1,427
Depreciation for the financial year	23	22
At 31 December		
Accumulated depreciation	776	753
Accumulated impairment loss	696	696
	1,472	1,449
Carrying amount		
At 31 December	477	500
Fair Value		
At 31 December	7,327	5,805

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

	Group 2013 RM'000	Group 2012 RM'000
Rental income	193	220
Direct operating expenses:		
- income generating investment properties	(48)	(48)

6. INVESTMENT PROPERTIES (Continued)

(a) Fair value information

The fair value of investment properties are categorised as follows:

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

- **Level 1 fair value**: Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.
- **Level 2 fair value**: Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment properties, either directly or indirectly.
- **Level 3 fair value**: Level 3 fair value is estimated using unobservable inputs for the investment property.

The fair value of investment properties of the Group are categorised as Level 3. The fair value on the investment properties are determined based on information available through internal research and Directors' best estimation.

Highest and best use

The Group's investment properties are currently an office building and a service apartment. The office building is at its highest and best use as it is located on the prime land in the city centre in which offices are located. The service apartment is at its highest and best use as it is located in the prime area of the city centre that is ideal for rental by expatriates.

7. INTANGIBLE ASSETS

		Group	
	Goodwill RM'000	Customer relationship RM'000	Total RM'000
Cost			
At 1 January 2012	1,322	977	2,299
Write off	-	(977)	(977)
At 31 December 2012/ 1 January 2013	1,322	-	1,322
Write off	(612)	-	(612)
At 31 December 2013	710	-	710
Amortisation			
At 1 January 2012	-	82	82
Amortisation for the financial year	-	195	195
Write off	-	(277)	(277)
At 31 December 2012/ 31 December 2013	-	-	-
Carrying amounts			
At 31 December 2012	1,322	-	1,322
At 31 December 2013	710	-	710

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	
	2013 RM'000	2012 RM'000
Machinery parts division	710	710
Plastic resins trading and compounding division	-	612
	710	1,322

Machinery parts division

The recoverable amount of the machinery parts division was based on the 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 in 2013 using an estimated constant growth rate of 5%; and
- A pre-tax discount rate of 4.7% (2012: 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.

Plastics resin trading and compounding division

The recoverable amount of the plastics resins compounding division was based on its value in use and was determined by the management. The value in use in 2013 was determined in a similar manner as in 2012.

The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of RM612,000/- (2012: RM Nil) was recognised. The impairment loss was allocated fully to goodwill and is included in profit or loss in the statements of comprehensive income.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
At cost		
Unquoted shares	64,908	68,884
Less: Accumulated impairment loss	-	(3,976)
	64,908	64,908

8. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2013 %	Effective ownership interest 2012 %
Direct subsidiaries				
Grand Carpet Industries Sdn. Bhd.	Malaysia	Trading of carpet of all descriptions	100	100
Sanyco Grand Industries Sdn. Bhd.	Malaysia	Manufacturing of automotive braking components and motorcycle components	100	100
Machinery & Industrial Supplies Sdn. Bhd.	Malaysia	Trading of machinery and industrial parts supplies	100	100
Sugihara Grand Industries Sdn. Bhd.	Malaysia	Manufacturing and trading of carpet of all descriptions	60	60
Exsilio Pte. Ltd. #	Singapore	Investment holding	96.67	96.67
Cleon Technology Sdn. Bhd. *	Malaysia	Dormant	-	66.25
Indirect Subsidiaries held through 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

\# *Audited by other member firms of Baker Tilly International.*

* *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. During the financial year, the subsidiary is derecognised from the consolidation of the Group.*

8. INVESTMENT IN SUBSIDIARIES (Continued)

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

In RM'000	2013 Sugihara	Other individually immaterial subsidiries	Total
NCI percentage of ownership interest and voting interest	40%		
Carrying amount of NCI	4,899	(11)	4,888
Profit/(loss) allocated to NCI	972	(227)	745
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	7,764		
Current assets	13,497		
Non-current liabilities	(49)		
Current liabilities	(8,964)		
Net assets	12,248		
Year ended 31 December			
Revenue	47,744		
Profit for the year	2,826		
Total comprehensive income	2,826		
Cash flows from operating activities	5,206		
Cash flows from investing activities	(3,334)		
Net increase in cash and cash equivalents	1,872		
Dividends paid to NCI	158		

8. INVESTMENT IN SUBSIDIARIES (Continued)

In RM'000	Sugihara	2012 Other individually immaterial subsidiries	Total
NCI percentage of ownership interest and voting interest	40%		
Carrying amount of NCI	3,927	446	4,373
Profit/(loss) allocated to NCI	655	(281)	374
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	6,644		
Current assets	9,716		
Non-current liabilities	(22)		
Current liabilities	(6,521)		
Net assets	9,817		
Year ended 31 December			
Revenue	38,489		
Profit for the year	1,639		
Total comprehensive income	1,639		
Cash flows from operating activities	3,019		
Cash flows from investing activities	(2,175)		
Net increase in cash and cash equivalents	844		
Dividends paid to NCI	-		

9. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2013 RM'000	Assets 2012 RM'000	Liabilities 2013 RM'000	Liabilities 2012 RM'000	Net 2013 RM'000	Net 2012 RM'000
Property, plant and equipment	-	-	(3,588)	(1,751)	(3,588)	(1,751)
Provisions	4,200	1,882	-	-	4,200	1,882
Capital allowance	492	577	-	-	492	577
Net tax assets/(liabilities), before appropriate offsetting	4,692	2,459	(3,588)	(1,751)	1,104	708
Offsetting	(3,406)	(1,498)	3,406	1,498	-	-
Net tax assets/(liabilities), after appropriate offsetting	1,286	961	(182)	(253)	1,104	708

Movement in temporary differences during the year:

Group	At 1.1.2012 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.12.2012 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.12.2013 RM'000
Property, plant and equipment	(2,081)	330	(1,751)	1,837	(3,588)
Provisions	1,333	549	1,882	2,318	4,200
Capital allowance	579	(2)	577	(85)	492
Reinvestment allowances	(107)	107	-	-	-
	(276)	984	708	396	1,104

Unrecognised deferred tax assets

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

	Group 2013 RM'000	Group 2012 RM'000
Unused tax losses	3,314	1,632
Unabsorbed capital allowances	(898)	(1,246)
	2,416	386
Potential deferred tax assets not recognised	604	96

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current					
Trade					
Trade receivables	(a)	35,577	33,633	-	-
Non trade					
Other receivables		544	485	-	-
Deposits		322	302	-	-
Amount owing from subsidiaries	(b)	-	-	5,359	1,790
Dividend receivables		-	-	2,738	6,000
		866	787	8,097	7,790
		36,443	34,420	8,097	7,790

(a) Credit terms of trade receivables range from 60 to 180 days (2012: 60 to 180 days).

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

11. INVENTORIES

	Group 2013 RM'000	Group 2012 RM'000
At cost		
Raw materials	8,262	5,219
Work-in-progress	396	797
Manufactured goods	2,466	1,321
Trading goods	5,300	6,238
Consumables	329	76
	16,753	13,651

During the financial year, the write down of inventories to their net realisable value for the Group amounted to RM309,000/- and a reversal of write down of inventories for the Group amounted to RM112,000/-.

12. CASH AND BANK BALANCES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short term investments	3,798	2,693	1,022	-
Deposits placed with licensed banks	5,432	5,297	-	-
Cash at banks and on hand	14,849	18,495	21	299
	24,079	26,485	1,043	299

13. SHARE CAPITAL

	Group and Company			
	2013		2012	
	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
Issued and fully paid:				
At the beginning/ end of the financial year	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.

14. TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 17 June 2013, 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 20,000 of its issued ordinary shares from the open market at an average price of RM0.494 per share. The total consideration paid was approximately RM9,969/- including transaction cost of RM94/-. The repurchased transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2013, the Group held 2,600,100 (2012: 2,580,100) of the Company's shares. The number of outstanding ordinary shares of RM1/- each in issue after the set-off is 42,199,900 (2012: 42,219,900).

14. TREASURY SHARES (Continued)

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
2013					
January-March	0.410	0.410	0.410	10,000	4,146
April-June	-	-	-	-	-
July-September	0.578	0.578	0.578	10,000	5,823
October-December	-	-	-	-	-

15. RESERVES

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Non-distributable					
Share premium	(a)	4,891	4,891	4,891	4,891
Foreign currency translation reserve	(b)	53	(180)	-	-
Fair value reserve	(c)	-	88	-	-
		4,944	4,799	4,891	4,891
Distributable					
Retained earnings	(d)	27,796	24,355	25,414	24,060
		32,740	29,154	30,305	28,951

(a) Share Premium

The share premium is arrived at after accounting for the premium received over the nominal value of shares issued to the public, less the subsequent capitalisation for bonus issue of the Company, if any.

(b) Foreign currency translation reserve

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

(c) Fair value reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(d) Retained earnings

As at 31 December 2013, the Company may distribute the entire balance of retained earnings under single tier system.

16. LOANS AND BORROWINGS

	Note	Group 2013 RM'000	Group 2012 RM'000
Non-current			
Hire purchase payable	(a)	-	153
Term loan	(b)	2,227	2,357
		2,227	2,510
Current			
Hire purchase payable	(a)	153	147
Term loan	(b)	130	124
Revolving credit	(c)	904	1,503
Bank overdraft	(c)	2,865	3,115
Banker acceptance	(c)	1,446	192
		5,498	5,081
Total loans and borrowings		7,725	7,591

(a) Hire purchase payable

	Group 2013 RM'000	Group 2012 RM'000
Minimum hire purchase payments:		
- not later than one year	157	157
- later than one year but not later than five years	-	157
	157	314
Less: Future hire purchase interest	(4)	(14)
Present value of hire purchase liabilities	153	300
Represented by:		
Current		
- not later than one year	153	147
Non-current		
- later than one year but not later than five years	-	153
	153	300

16. LOANS AND BORROWINGS (Continued)

(b) Term loan

	Group 2013 RM'000	Group 2012 RM'000
Term loan- secured	2,357	2,481
Represented by:		
Current		
- not later than one year	130	124
Non current		
- later than one year but not later than five years	584	558
- later than five years	1,643	1,799
	2,227	2,357
	2,357	2,481

The term loan bear interest rate at 8.6% per annum 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.

The term loans are secured by way of:

(i) a first party legal charge and specific debentures created over a piece of freehold land and building including fixture and fitting with a carrying amount of RM3,094,000/-, 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/- (2012: RM8,800,000/-) issued by the Company.

17. OTHER FINANCIAL LIABILITIES

	Group 2013 RM'000	Group 2012 RM'000
Written put options to non-controlling interests	426	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.

18. PROVISION FOR WARRANTIES

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	815	727
Provisions made during the financial year	-	145
Provisions used during the financial year	(326)	(57)
At 31 December	489	815
Current	489	815

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. TRADE AND OTHER PAYABLES

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables	(a)	16,880	15,031	-	-
Non-trade					
Other payables and accruals	(b)	7,758	8,016	152	402
		7,758	8,016	152	402
		24,638	23,047	152	402

(a) Credit terms of trade payables range from 30 to 120 days (2012: 30 to 120 days).

(b) Included in other payables and accruals of the Group is an amount of RM28,000/- (2012: RM415,043/-) accrued for the acquisition of plant and machineries.

20. REVENUE

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Automotive parts	112,813	95,605	-	-
Dividends income	-	-	2,738	8,000
Machinery parts	16,500	18,400	-	-
Plastic resins trading and compounding	3,648	1,634	-	-
	132,961	115,639	2,738	8,000

21. OPERATING PROFIT

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Operating profit has been arrived at:				
After charging:				
Amortisation of intangible assets	-	195	-	-
Auditors' remuneration:				
- statutory audit				
current year	154	145	29	35
prior year	(13)	(15)	-	5
- other services	4	-	4	-
Bad debts written off	-	972	-	35
Depreciation of:				
- investment properties	23	22	-	-
- property, plant and and equipment	4,964	4,129	-	-
Impairment loss on:				
- trade receivables	788	149	-	-
Property, plant and equipment written-off	2	2	-	-
Intangible asset written-off	612	700	-	-
Inventory written down	309	-	-	-
Inventory written-off	5	-	-	-
Personnel expenses (including key management personnel):				
- contribution to Employees Provident Fund	1,516	1,471	-	-
- wages, salaries and others	20,182	19,811	19	18

21. OPERATING PROFIT (Continued)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Rental expenses for:				
- plant and equipment	32	47	-	-
- warehouse and staff housing facilities	422	333	-	-
Lease equipments	348	215	-	-
Foreign exchange loss:				
- realised	49	14	-	-
- unrealised	73	-	-	-
And crediting:				
Finance income	233	161	-	-
Foreign exchange gain:				
- realised	416	182	-	-
- unrealised	82	37	-	-
Gain on disposal of:				
- property, plant and equipment	69	34	-	-
Rental income from:-				
- plant & equipment	300	220	-	-
Reversal of inventory write-down	112	14	-	-
Reversal of impairment loss on:				
- trade receivables	42	6	-	-

22. FINANCE COSTS

	Group	
	2013 RM'000	2012 RM'000
Interest expense:		
- bank overdraft	254	199
- bank guarantees	40	4
- Commitment fee	22	-
- letter of credit	3	8
- term loan	176	91
	495	302
Other bank charges	73	79
	568	381

23. TAXATION

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Income tax expense					
- current year		(3,579)	(2,712)	43	(2,000)
- prior year		123	(405)	-	-
		(3,456)	(3,117)	43	(2,000)
Deferred taxation					
- current year	9	259	271	-	-
- prior year	9	137	713	-	-
		396	984	-	-
		(3,060)	(2,133)	43	(2,000)

The income tax is calculated at the Malaysian Statutory rate of 25% (2012: 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 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit before taxation	8,014	3,365	2,368	7,373
Taxation at applicable tax rate of 25%	(2,004)	(841)	(592)	(1,843)
Tax effect arising from				
- non-deductible expenses	(1,675)	(1,009)	(61)	(157)
- tax exempt income	867	-	696	-
- difference in tax rates	-	(95)	-	-
- overaccrual in prior years	260	308	-	-
- unrecognised deferred tax assets	(508)	(496)	-	-
Tax (expenses)/income for the financial year	(3,060)	(2,133)	43	(2,000)

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2013 RM'000	2012 RM'000
Profit attributable to owners of the Company	4,217	854
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	44,800	44,800
Effect of treasury shares held	(2,592)	(2,576)
Weighted average number of ordinary shares at 31 December	42,208	42,224
Basic earnings per share (sen)	9.99	2.02

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

25. DIVIDENDS

	Company 2013 RM'000
Dividends paid	
First and final dividend of 3.34 sen per ordinary share of RM1/- each less 25% tax (2.5 sen net per ordinary share)	1,057

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

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

Performance is measured based on segment profit before tax, interest, 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 liabilities.

Geographical segments

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

26. 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
2013						
Segment profit/(loss)	11,949	61	(3,252)	2,344	(2,772)	8,330
Included in the measure of segment profit are:						
Revenue from external customers	112,813	16,500	3,648	-	-	132,961
Depreciation of property plant and equipment	(4,064)	(364)	(536)	-	-	(4,964)
Depreciation of investment properties	(7)	(16)	-	-	-	(23)
Impairment of goodwill	-	-	(612)	-	-	(612)
Provision of bad debts	(414)	(374)	-	-	-	(788)
Provision of obsolete stocks	-	(309)	-	-	-	(309)
Not included in the measure of segment profit but provided to Group Executive Directors:						
Finance costs	(104)	(8)	(456)	-	-	(568)
Finance income	198	18	14	22	-	252
Taxation	(2,926)	(177)	-	43	-	(3,060)
Segment assets	79,082	19,563	13,729	5,654	(2,772)	115,256
Included in the measure of segment assets are:						
Additions to non-current assets other than financial instruments and deferred tax assets	4,928	539	1,275	-	-	6,742

26. 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						
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)
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

26. OPERATING SEGMENTS (Continued)

Reconciliations of reportable segment revenues and profit or loss

	2013 RM'000	2012 RM'000
Profit or loss		
Total profit or loss for reportable segments	8,330	3,356
Finance costs	(568)	(381)
Finance income	252	390
Consolidated profit before tax	8,005	3,365
Taxation	(3,060)	(2,133)
Consolidated profit after tax	4,945	1,232

Major customers

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

	Revenue		Segments
	2013 RM'000	2012 RM'000	
Customer A	31,013	20,666	Automotive parts
Customer B	17,385	17,817	Automotive parts
Customer C	13,402	11,339	*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 2013.*

27. OPERATING LEASES

Leases as leasee

	2013 RM'000	2012 RM'000
Less than one year	147	401
Between one and five years	996	819
	1,143	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.

27. OPERATING LEASES (Continued)

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:

	2013 RM'000	2012 RM'000
Less than one year	10	9

28. CONTINGENT LIABILITIES

The Group and the Company are contingently liable for the following:-

	Group/Company	
	2013 RM'000	2012 RM'000
Guarantee given to secure equipment purchased by subsidiaries	608	997

29. 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's 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.

29. RELATED PARTY TRANSACTIONS (Continued)

b) Significant related party transaction

Group	Amount transacted for the year ended 31 December RM'000	Balance outstanding at 31 December RM'000
2013		
San Yes Automotive Technology Co. Ltd.		
Purchase of raw materials	485	(54)
Sugihara Co. Ltd.		
Purchase of raw materials	1,301	(143)
Royalties	484	(723)
Other expenses	114	-
2012		
San Yes Automotive Technology Co. Ltd.		
Purchase of raw materials	278	(43)
Sugihara Co. Ltd.		
Purchase of raw materials	677	(76)
Royalties	423	(1,243)
Other expenses	71	(28)

29. RELATED PARTY TRANSACTIONS (Continued)

c) The key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Company's Directors				
- Fees	105	144	105	149
- Remuneration	2,525	4,051	19	18
- Other short term employee benefits (including estimated monetory value of benefit-in-kind)	31	26	-	-
Other key management personnel:				
- Remuneration	256	389	-	-
	2,917	4,610	124	167

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 RM30,600 (2012: RM26,000).

30. CAPITAL COMMITMENTS

	Group	
	2013	2012
	RM'000	RM'000
Computer software		
Contracted but not provided for and payable:		
Less than one year	654	1,076

31. FINANCIAL INSTRUMENTS

31.1 Categories of financial instruments

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

(i) Loans and receivables (L&R);
(ii) Financial liabilities measured at amortised cost (FL); and
(iii) Other liabilities (OL)

Financial assets	Carrying amount RM'000	L&R RM'000
2013		
Group		
Trade and other receivables	36,443	36,443
Cash and cash equivalents	24,079	24,079
	60,522	60,522
Company		
Trade and other receivables	8,097	8,097
Cash and cash equivalents	1,043	1,043
	9,140	9,140
2012		
Group		
Trade and other receivables	34,420	34,420
Cash and cash equivalents	26,485	26,485
	60,905	60,905
Company		
Trade and other receivables	7,790	7,790
Cash and cash equivalents	299	299
	8,089	8,089

31. FINANCIAL INSTRUMENTS (Continued)

31.1 Categories of financial instruments (Continued)

Financial liabilities	Carrying amount RM'000	FL/(OL) RM'000
2013		
Group		
Loans and borrowings	(7,725)	(7,725)
Trade and other payables	(24,638)	(24,638)
Other financial liabilities	(426)	(426)
	(32,789)	(32,789)
Company		
Trade and other payables	(152)	(152)
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)

31.2 Net gains and losses arising from financial instruments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Available-for-sale				
- recognised in other comprehensive income	-	65	-	-
- reclassified to profit or loss	88	(229)	-	-
	88	(164)	-	-
Loans and receivables	(888)	(1,115)	-	-
Financial liabilities, measured at amortised cost	(428)	(344)	-	-
Remeasurement of financial liabilities	281	-	-	-
	(1,140)	(1,787)	-	-

31.3 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

31. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management (Continued)

(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 short term investment. 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 statements 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
2013			
Not past due	18,244	-	18,244
Past due 0-30 days	6,732	-	6,732
Past due 31-120 days	8,552	-	8,552
Past due more than 120 days	3,444	(1,395)	2,049
	36,972	(1,395)	35,577

31. FINANCIAL INSTRUMENTS (Continued)

31.3 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:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
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

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

	2013 RM'000	2012 RM'000
At 1 January	649	506
Impairment loss recognised	788	149
Impairment loss reversal	(42)	(6)
At 31 December	1,395	649

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.

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.

31. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management (Continued)

(i) Credit risk (Continued)

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 RM26,090,000/- (2012: RM34,536,648) 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.

Short term 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 12) with reputable financial institutions. The maximum exposure to credit risk is represented by the carrying amounts as disclosed in Note 12.

These investments are unsecured.

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.

31. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management (Continued)

(ii) Liquidity risk (Continued)

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	>5 years RM'000
2013						
Bank overdraft	2,865	7.10	2,865	2,865	-	-
Banker acceptance	1,446	5.41- 5.47	1,446	1,446	-	-
Hire purchase payable	157	2.35	157	157	-	-
Revolving credit	904	5.41	904	904	-	-
Term loan	2,357	8.60	2,357	130	584	1,643
Trade and other payables	24,638	-	24,638	24,638	-	-
2012						
Bank overdrafts	3,115	8.10	3,115	3,115	-	-
Banker acceptance	192	5.36 - 5.39	192	192	-	-
Hire purchase payable	314	2.35	314	147	157	-
Revolving credit	1,503	5.41	1,503	1,503	-	-
Term loan	2,481	8.60	2,481	124	558	1,799
Trade and other payables	23,047	-	23,047	23,047	-	-
Company						
2013						
Other payables	152	-	152	152	-	-
2012						
Other payables	402	-	402	402	-	-

(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 Group's financial position or cash flows.

31. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management (Continued)

(iii) Market risk (Continued)

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).

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					
	USD	JPY	EUR	SGD	THB	AUD
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2013						
Trade receivables	1,016	-	-	-	68	-
Cash and cash equivalents	536	-	-	-	-	-
Trade payables	(2,950)	(175)	(318)	-	-	(40)
Other payables	(42)	-	-	(52)	-	-
Exposure in the statements of financial position	(1,440)	(175)	(318)	(52)	68	(40)
2012						
Trade receivables	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. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management (Continued)

(iii) Market risk (Continued)

Currency risk (Continued)

Currency risk sensitivity analysis

A 10% (2012: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have (increased)/decrease equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remained constant.

	Profit or loss	
	2013	2012
	RM'000	RM'000
USD	108	(207)
JPY	13	6
EUR	24	31

A 10% (2012: 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 Group manages its interest rate risk by having a combination of borrowings with fixed and floating rates. The Group's surplus funds are placed as short term deposits with licensed banks and short term investments.

Exposure to interest rate risk

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

Group	2013 RM'000	2012 RM'000
Fixed rate instruments		
Financial assets	9,230	7,990
Financial liabilities	(153)	(300)
Floating rate instruments		
Financial liabilities	(7,572)	(7,291)

31. FINANCIAL INSTRUMENTS (Continued)

31.3 Financial risk management (Continued)

(iii) Market risk (Continued)

Interest rate risk (Continued)

Company	2013 RM'000	2012 RM'000
Fixed rate instruments		
Financial assets	1,022	-

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
2013		
Floating rate instrument	(57)	57
2012		
Floating rate instrument	(55)	55

(c) Other price risk

Market price risk arises from the Group's and Company's investments in unit trust.

Risk management objectives, policies and processes for managing the risk

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

Market price risk sensitivity analysis

A 10% (2012: 10%) increase in market prices at the end of the reporting period would have increased equity and post-tax profit or loss of the Group and the Company by RM285,000/- and RM77,000/- (2012: RM202,000/- and RM Nil) respectively for short term investments. A 10% (2012: 10%) weakening in market prices would have had equal but opposite effect on post-tax profit or loss and equity.

31. FINANCIAL INSTRUMENTS (Continued)

31.4 Fair value of financial instruments

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

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

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

The fair values of financial liabilities together with the carrying amounts shown in the statements of financial position, are as follows:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Group				
Financial liailities				
Other financial liabilities	(426)	(707)	(707)	(707)
Term loan	(2,357)	(2,357)	(2,481)	(2,481)
	(2,783)	(3,064)	(3,188)	(3,188)

31.5 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)

31. FINANCIAL INSTRUMENTS (Continued)

31.5 Fair value hierarchy (Continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2013				
Financial assets				
Short term investments	3,798	-	-	3,798
Financial liabilities				
Bank overdraft	-	(2,865)	-	(2,865)
Banker acceptance	-	(1,446)		(1,446)
Hire purchase payables	-	(153)	-	(153)
Revolving credit	-	(904)	-	(904)
Term loan	-	(2,357)	-	(2,357)
Other financial liabilities	-	-	(426)	(426)
2012				
Financial assets				
Short term investments	2,693	-	-	2,693
Financial liabilities				
Bank overdraft	-	(3,115)	-	(3,115)
Banker acceptance	-	(192)	-	(192)
Hire purchase payables	-	(300)	-	(300)
Revolving credit	-	(1,503)	-	(1,503)
Term loan	-	(2,481)	-	(2,481)
Other financial liabilities	-	-	(707)	(707)
Company				
2013				
Financial assets				
Short term investments	1,022	-	-	1,022

31. FINANCIAL INSTRUMENTS (Continued)

31.5 Fair value hierarchy (Continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial liability.

The following table shows the valuation technique used in the determination of fair value within level 3, as well as the key unobservable inputs used in the valuation model.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Written put options	The fair value of put options is based on the calculation of estimated settlement amounts. The calculation are tested for reasonableness by discounting estimated future cash flows based on the terms and maturities of the contracts and using weighted average cost of capital of the Group as at financial year end.	Weighted average cost of capital (WACC) (2013: 4.7%) Estimated constant rate growth of 5%	The estimated fair value would increase/(decrease) if the weighted average cost of capital were (lower)/higher. The estimated fair value would increase/(decrease) if the growth rate were higher/(lower)

Sensitivity analysis for Level 3

	Other comprehensive income, net of tax	
	Increase	Decrease
RM'000		
2013		
WACC (1% movement)	3	(3)
Growth rate (5% movement)	(16)	16

Valuation processes applied by the Group for Level 3 fair value

The Director have an overall responsibility for overseeing all significant fair value measurements, including Level 3 fair value. The Directors periodically review significant unobservable inputs and valuation adjustments, if any.

32. 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.

32. CAPITAL MANAGEMENT (Continued)

During 2013, 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 2013 was as follows:

Group	2013 RM'000	2012 RM'000
Total loans and borrowings (Note 16)	7,725	7,591
Total net worth	80,552	75,849
Gearing ratio	0.10	0.10

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.

33. COMPARATIVE FIGURES

Certain comparatives for the financial year ended 31 December 2012 have been reclassified for consistent presentation with the financial statements disclosure requirements for the financial year ended 31 December 2013.

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Statements of financial position			
2012			
Group			
Non current assets			
Other investments	2,693	(2,693)	-
Current assets			
Cash and bank balances	23,792	2,693	26,485

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 earnings of the Group and the Company as at 31 December 2013 are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	63,613	60,231	25,414	24,060
- unrealised	720	(70)	-	-
	64,333	60,161	25,414	24,060
Less: Consolidation adjustments	(36,537)	(35,806)	-	-
Total retained earnings	27,796	24,355	25,414	24,060

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 16 April 2014

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 42,199,900)

Size of Holdings	No of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities	% of Issued Capital *
1 - 99	10	0.90	339	0.00
100 - 1,000	264	23.89	240,025	0.57
1,001 - 10,000	587	53.12	2,910,900	6.90
10,001 - 100,000	210	19.00	6,174,800	14.63
100,001 - 2,109,994 *	32	2.90	13,673,836	32.40
2,109,995 and above**	2	0.19	19,200,000	45.50
Total	**1,105**	**100.00**	**42,199,900**	**100.00**

Total No. of Shareholders / Depositors	:	1,105
Total Shareholdings / Securities	:	42,199,900
Total Percentage (%)	:	100.0000

* *Excludes 2,600,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 16 April 2014.*

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS

No	Name	Normal Holdings	Holding Percentage % *
1	MIYES HOLDINGS SDN BHD	15,680,000	37.16
2	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BSI SA (BSI BK SG-NR)	3,520,000	8.34
3	MOHD RIANI BIN OSMAN	2,033,838	4.82
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	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE HA SING	502,700	1.19
10	TAN EE SENG	479,000	1.14
11	YEOH KEAN HUA	430,000	1.02
12	NG ENG BEE	395,195	0.94
13	ENG KIM LIAN	380,964	0.90
14	CHONG TECK HOO @ CHAM TECK HOO	362,089	0.86
15	CHAM BEE SENG @ CHIAM BEE SENG	349,989	0.83
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON (E-BMM)	285,500	0.68
17	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR GOALKEY SYSTEM SDN BHD (MY1461)	259,800	0.62
18	GOH YOKE CHOO	255,700	0.61
19	OOI CHEE MIN	252,500	0.60
20	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR MOHD RIANI BIN OSMAN (SMART)	250,000	0.59
21	TAN SIEW HOONG	222,900	0.53
22	TAN JIN TUAN	203,000	0.48
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI GUAN (474333)	170,000	0.40
24	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY TENG HUP (M01)	170,000	0.40
25	CHAN SENG CHEONG	157,500	0.37
26	LIM YOK MOI	150,000	0.36
27	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY YAN WAH (M)	150,000	0.36
28	CHAM BEE SIM	149,572	0.35
29	NG KWEE ENG	142,018	0.34
30	CHEAK YEW KUN	136,100	0.32
	TOTAL	**32,371,936**	**76.71**

* *Excludes 2,600,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 16 April 2014.*

Shareholdings Statistics

As at 16 April 2014

Continued

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 16 APRIL 2014

	Direct Interest		Indirect Interest	
Name of Substantial Shareholder	**No. of Shares**	**% of Issued Capital***	**No. of Shares**	**% of Issued Capital***
MIYES Holdings Sdn Bhd ("MIYES")	15,680,000	37.16	-	-
Umberston Holdings Sdn Bhd ("Umberston")	-	-	15,680,000(1)	37.16
San Yes Automotive Technology Co., Ltd	-	-	15,680,000(1)	37.16
Ng Kwee Eng	142,018	0.34	15,680,000(2)	37.16
Yap Siew Foong	1,263,730	2.99	15,680,000(2)	37.16
Mohd Riani bin Osman	2,279,538	5.40	-	-

* *Excludes 2,600,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 16 April 2014.*

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

DIRECTORS' SHAREHOLDING AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 16 APRIL 2014

	Direct Interest		Indirect Interest	
Name of Director	**No. of Shares**	**% of Issued Capital***	**No. of Shares**	**% of Issued Capital***
Yap Siew Foong	1,263,730	2.99	15,680,000(1)	37.16
Ng Wai Kee	700,900	1.66	-	-
Foo Lee Khean	-	-	-	-
Wern Li Morsingh	-	-	-	-
Ahmad @ Misron bin Yusof	-	-	-	-

* *Excludes 2,600,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 16 April 2014.*

(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 2013 (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	17	3,867	2,425,600
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	22	10,310	5,648,322
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	15	2,140	3,379,886
Plaspoint Sdn Bhd	No. 4, Jalan Desa Tropika ½, Taman Perindustrian Tropika, 81800 Ulu Tiram, Johor.	November 17, 2011	A renovated double storey corner detached factory with 2 storey frontal office. Office and factory.	Freehold	3	3,344	3,094,220
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	34	1,197	242,560
Machinery & Industrial Supplies Sdn Bhd	No 21 & 23 (Developer's Plot No.118 & 119), Taman Kenanga, Bandar Baru Salak Tinggi, 83800 Dengkil, Selangor Darul Ehsan.	Dec 23, 2005	Two units of an intermediate and end lot of three storey shop house. The property is vacant.	Freehold	13	429	NIL
Grand Carpet Industries Sdn Bhd	Parcel No.A-42-09 (E), Berjaya Star City, Jalan Imbi, Section 52, 55100 Kuala Lumpur.	June 1, 2000	A 42nd Floor service suite within a high-rise commercial building housing retails and service apartment block. Rented.	Freehold	11	54	234,716
PT Zusma Plastics	Suryacipta City of Industry, Jl. Surya Madya IV Kav 1-28 J, Kutanegara Village, Ciampel, Karawang, West Java 41361, Indonesia	August 23, 2011	Industrial Land. The land is vacant.	Leasehold 16 years	3	7,012	1,179,959

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth 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 Friday, 6 June 2014 at 10.00 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Directors' and Auditors' Reports thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To declare a First and Final Single Tier Dividend of 2.5 sen per Ordinary Share of RM1.00 each for the financial year ended 31 December 2013. **Ordinary Resolution 1**

3. To approve the Directors' Fees in respect of the financial year ended 31 December 2013 and payment thereof. **Ordinary Resolution 2**

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

   i) Mr Ng Wai Kee **Ordinary Resolution 3**
   ii) Ms Yap Siew Foong **Ordinary Resolution 4**

5. To consider and, if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:- **Ordinary Resolution 5**

   "That pursuant to Section 129(6) of the Companies Act, 1965, Encik Ahmad @ Misron bin Yusof be re-appointed as Director to hold office until the conclusion of the next Annual General Meeting of the Company."

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 6**

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 7**

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 15 May 2014 with the related parties mentioned therein which are necessary for the SMIS Group's day-to-day operations, subject further to the following:-

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

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

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

(i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Shareholders Mandate is approved, at which time it will lapse, unless by a resolution passed at the Meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is earlier;

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

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 2013 of RM27.8 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 Sixteenth ("16th") 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 16th AGM of the Company is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

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

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

NOTICE OF DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Fifteenth Annual General Meeting of the Company, a First and Final Single Tier Dividend of 2.5 sen per Ordinary Share of RM1.00 each in respect of the financial year ended 31 December 2013 will be paid to the shareholders of the Company on 10 July 2014. The entitlement date for the said dividend shall be 13 June 2014.

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 13 June 2014 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

TAI YIT CHAN (MAICSA 7009143)
CHOONG LEE WAH (MAICSA 7019418)
Secretaries

Selangor Darul Ehsan
Date: 15 May 2014

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 Share Registrar's 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 28 May 2014 (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.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. To receive the Audited Financial Statements

*Agenda item no. 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.*

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

The Company had, during its Fourteenth Annual General Meeting ("AGM") held on 17 June 2013, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

Ordinary Resolution 7 proposed under item 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.

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

Ordinary Resolution 8 proposed under item 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.

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

The proposed Ordinary Resolution 9, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of Shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. The authority will, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the 16th 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 15 May 2014 which was despatched together with this Annual Report.

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PROXY FORM

Number of shares held	CDS Account No.

SMIS CORPORATION BERHAD (491857-V)

(Incorporated in Malaysia)

I/We, ...

of ....

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

.... of

.... or

failing him/her .... of

....

failing him/her, *the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fifteenth 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 Friday, 6 June 2014 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	Declaration of a First and Final Single Tier Dividend of 2.5 sen per Ordinary Share of RM1.00 each for the financial year ended 31 December 2013		
Ordinary Resolution 2	Approval of Directors' Fees for the financial year ended 31 December 2013 and payment thereof		
Ordinary Resolution 3	Re-election of Mr Ng Wai Kee as Director (Article 103)		
Ordinary Resolution 4	Re-election of Ms Yap Siew Foong as Director (Article 103)		
Ordinary Resolution 5	Re-appointment of Encik Ahmad @ Misron bin Yusof as Director (Section 129(6))		
Ordinary Resolution 6	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
Ordinary Resolution 7	Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		
Ordinary Resolution 8	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 9	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares		

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

Dated this .... day of 2014

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

1st proxy		%
2nd proxy		%
TOTAL	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 Share Registrar's 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 28 May 2014 (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.*

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

SHARE REGISTRAR

SMIS CORPORATION BERHAD

LOT 6.05, LEVEL 6, KPMG TOWER
8 FIRST AVENUE, BANDAR UTAMA
47800 PETALING JAYA
SELANGOR DARUL EHSAN
MALAYSIA

1st Fold Here

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