SMIS Corporation Berhad

(491857-V)

Annual Report 2015

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.
- 60% PT GRAND SURYA TECHNO
- 66.25% CLEON TECHNOLOGY SDN. BHD. (In Members' Voluntary Liquidation)
- 96.67% EXSILIO PTE. LTD.
  - 99.87% PT ZUSMA PLASTICS
  - 99.86% PLASPOINT SDN. BHD.
- 100% HAWLFORD HOLDINGS PTE. LTD.

CORPORATE *INFORMATION*

BOARD OF DIRECTORS

Ng Wai Kee
(Executive Director & Chairman)

Yap Siew Foong
(Executive Director)

Foo Lee Khean
(Senior Independent Non-Executive Director)

Wern Li Morsingh
(Independent Non-Executive Director)

Oei Kok Eong
(Independent Non-Executive Director)

AUDIT AND RISK COMMITTEE

Foo Lee Khean
(Chairman)
Wern Li Morsingh
Oei Kok Eong

NOMINATION COMMITTEE

Foo Lee Khean
(Chairman)
Wern Li Morsingh
Oei Kok Eong

REMUNERATION COMMITTEE

Wern Li Morsingh
(Chairperson)
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.
Tel: 03-2297 1000 Fax: 03-2282 9980

PRINCIPAL BANKERS

United Overseas Bank Malaysia Berhad *(271809-K)*
Level 7, Menara UOB, Jalan Raja Laut,
50738 Kuala Lumpur, Wilayah Persekutuan.

Public Bank Berhad *(6364-H)*
Menara Public Bank,
146, Jalan Ampang
50450 Kuala Lumpur, Wilayah Persekutuan.

SHARE 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	2011	2012	2013	2014	2015
Revenue	110,009	115,639	132,961	146,743	143,267
Profit before tax	2,815	3,365	8,014	5,765	2,597
Profit for the year	132	1,232	4,954	3,063	1,388
Profit attributable to owners	(490)	854	4,217	2,526	492
Total equity attributable to owners	72,218	72,798	76,374	77,955	77,520
Total assets	100,263	109,939	115,256	117,833	117,158
Total liabilities	(24,046)	(32,768)	(33,994)	(33,997)	(31,676)
Total borrowings	(2,990)	(7,591)	(7,725)	(6,790)	(6,049)

Growth rate over previous years	2011	2012	2013	2014	2015
Revenue	12.8%	5.1%	15.0%	10.4%	(2.4%)
Profit before tax	(71.4%)	19.5%	138.2%	(28.1%)	(55.0%)
Profit for the year	(98.4%)	833.3%	302.1%	(38.2%)	(54.7%)
Total equity attributable to owners	(2.3%)	0.8%	4.9%	2.1%	(0.6%)
Total assets	3.7%	9.7%	4.8%	2.2%	(0.6%)
Total liabilities	19.0%	36.3%	3.7%	0.0%	(6.8%)
Total borrowings	* n/a	153.9%	1.8%	(12.1%)	(10.9%)

Share information	2011	2012	2013	2014	2015
Basic earnings per share (sen)	(1.16)	2.02	9.99	5.99	1.17
Net assets per share (RM)	1.61	1.62	1.70	1.74	1.73

Financial ratio	2011	2012	2013	2014	2015
Return on equity attributable to owners	0.18%	1.69%	6.49%	3.93%	1.79%
Return on total assets	0.13%	1.12%	4.30%	2.60%	1.18%
Debt equity ratio	0.04	0.10	0.10	0.08	0.08

Remarks:

** n/a = not applicable*

PROFILE OF *DIRECTORS*

PROFILE OF *DIRECTORS*

Ng Wai Kee
Chairman, Executive Director

Ng Wai Kee, a Malaysian, aged 45, was appointed to the Board of Directors of SMIS Corporation Berhad (“SMIS” or “the Company”) on 2 February 2002 as an Executive Director and assumed the position of the Chief Executive Officer (“CEO”) on 22 February 2013. He was re-designated as the Chairman and Executive Director on 21 November 2014. He also serves as a member of the Remuneration Committee.

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

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

He is the son of Yap Siew Foong, a Director and major shareholder of the Company. Save for his shareholdings in the Company as disclosed on page 113 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 ten (10) years other than traffic offences, if any. His length of service in SMIS as at 29 April 2016 is fourteen (14) years.

He has attended all the five (5) board meetings held in the financial year ended 31 December 2015.

Yap Siew Foong
Executive Director

Yap Siew Foong, a Malaysian, aged 72, was appointed to the Board of Directors of SMIS on 2 February 2002 as an Executive Director.

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

She is the mother of Ng Wai Kee. Save for her shareholdings in the Company as disclosed on page 113 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 ten (10) years other than traffic offences, if any. Her length of service in SMIS as at 29 April 2016 is fourteen (14) years.

She has attended four (4) out of five (5) board meetings held in the financial year ended 31 December 2015.

PROFILE OF *DIRECTORS*
Cont'd

Foo Lee Khean
Senior Independent Non-Executive Director

Foo Lee Khean, a Malaysian, aged 53, was appointed to the Board of Directors of SMIS on 26 November 2007 as an Independent Non-Executive Director. He also serves as the Chairman of the 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 ten (10) years other than traffic offences, if any. His length of service in SMIS as at 29 April 2016 is eight (8) years.

He has attended all five (5) board meetings held in the financial year ended 31 December 2015. He does not hold any shares in the Company.

Wern Li Morsingh
Independent Non-Executive Director

Wern Li Morsingh, a Malaysian, aged 43, was appointed to the Board of Directors of SMIS on 28 November 2012 as an Independent Non-Executive Director. She also serves as the Chairperson of the Remuneration Committee and a member of the Audit and Risk Committee and Nomination Committee.

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

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

She is currently a partner of Amin, Wern Li & Associates.

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 ten (10) years other than traffic offences, if any. Her length of service in SMIS as at 29 April 2016 is three (3) years.

She has attended all the five (5) board meetings held in the financial year ended 31 December 2015. She does not hold any shares in the Company.

PROFILE OF *DIRECTORS*
Cont'd

Oei Kok Eong
Independent Non-Executive Director

Oei Kok Eong, aged 62, was appointed to the Board of Directors of SMIS on 21 November 2014 as an Independent Non-Executive Director. He is also a member of the Audit and Risk Committee and Nomination Committee.

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

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

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

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

He has served over the years, in various positions in the Malaysian Automotive Component Manufacturers' Association (MACPMA) & working/technical committees of SIRIM. He also initiated and headed the Toyota Suppliers' Club's Lean Manufacturing activities for several years. He was the founding Chair of the Malaysian Chapter of the Society of Automotive Engineers in 2000.

Presently, he is a business coach mentoring a group of business owners and CEOs in association with Vistage Malaysia Sdn. Bhd. and sits on the General Technical Committee of Lloyds Register of Quality Assurance, Malaysia.

He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has never been convicted for any offences within the past ten (10) years other than traffic offences, if any. His length of service in SMIS as at 29 April 2016 is one (1) year.

He has attended all five (5) board meetings held in the financial year ended 31 December 2015. He does not hold any shares in the Company.

CHAIRMAN'S *STATEMENT*

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and the Audited Financial Statements of SMIS Corporation Berhad for the financial year ended 31 December 2015.

Financial Performance

The year under review saw many challenges such as the weakening of the Malaysian Ringgit and sluggish economy resulting in weak demand. The Group was not spared and mitigation steps taken was not enough to offset the full impact of the downturn and increase in cost of materials.

Revenue for the financial year under review was RM143m against RM147m for year 2014. The Group recorded a Profit before tax (PBT) of RM2.6m against RM5.8m in the previous year.

Automotive Segment

Turnover for the segment reduced by 2.9%, recording revenue of RM122m as compared to RM126m in 2014. The Total Industry Volume for 2015 remained unchanged from the previous year with negligible growth. PBT was reduced by 33.5% to RM5.9m for the financial year under review against RM8.9m in the previous year, largely due to product mix. The continued depreciation of the Malaysian Ringgit against the US Dollar meant that imported raw materials cost significantly more.

The Company expects a challenging year ahead in line with the Malaysian Automotive Association's forecast of a 2.5% contraction in the Total Industry Volume for year 2016.

Machinery Parts

The slowdown in Palm Oil and Sewage & Waste Water projects from 2014 continued to affect the segment. With lack of new project implementation, the segment was contributed mainly by sale of spares and replacement parts. Turnover for the year suffered a 20.8% reduction recording RM12m against RM15.2m for year 2014.

Whilst we believe the segment will improve, we are also cautious that any growth is expected to be gradual and highly sensitive to pricing. Recovery of the Palm Oil sector is also a major contributing factor towards the performance of Machinery Parts segment.

Plastic

Revenue for Plastic segment was RM8.9m against RM5.5m for year 2014. Growth in this segment was stunted by weakening of the currency causing some cost to escalate. The drop in petroleum prices also caused volatility in the polymer commodity market.

Appreciation

On behalf of the Board of Directors, I extend my heartfelt appreciation to all our people who have remained committed and dedicated to the Company and who continue to persevere and contribute as we strive for greater success. I would also like to express our gratitude to the stakeholders, shareholders, business associates, customers, suppliers and bankers for their continued confidence and support.

Last but not least, I would like to thank my fellow Directors for their support, counsel and guidance.

Thank you,

Ng Wai Kee
Chairman and Executive Director

STATEMENT ON *CORPORATE GOVERNANCE*

The Board of Directors ("the Board') of SMIS Corporation Berhad ("SMIS" or "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.

The Board is guided by the Principles and Recommendations as promulgated by the Malaysian Code on Corporate Governance 2012 (the "MCCG 2012") and Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia Listing Requirements").

The Board is pleased to provide the following Statement which sets out how the Group has applied the Principles and Recommendations of the MCCG 2012 and Bursa Malaysia Listing Requirements during the financial year ended 31 December 2015. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observance, including the reasons thereof, is included in the following Statement.

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

The Board retains full responsibility over overall performance of the Company and the Group by discharging its stewardship responsibilities through providing strategic leadership, overseeing the conduct of the Group's businesses, identifying and managing principal risks, reviewing adequacy and integrity of the Group's internal control systems and developing an investor relations program.

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

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

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

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

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

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

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

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

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

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

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

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

STATEMENT ON *CORPORATE GOVERNANCE*

Cont'd

Code of Conduct, Code of Ethics, Whistle Blowing Policy and Insider Dealing Policy

The Company has formalised the Code of Conduct on 30 April 2013 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 formalised the Code of Ethics on 30 April 2013 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 updated the Whistle Blowing Policy on 26 November 2015, 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.

The Board has formalised an Insider Dealing Policy on 30 May 2013 for Directors and employees who possess price sensitive information which is not generally available to the public are not allowed to trade in securities consistent with the Capital Markets and Services Act 2007, which prohibits insider trading. Notices on the closed period for trading in the Company's shares are sent to Directors and principal officers and the relevant employees on a quarterly basis. In 2015, none of the Directors dealt in securities of the Company during the closed period.

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

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 Sustainability Policy on 30 May 2013 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 18 of this Annual Report.

Supply and access to information

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

i) Management and external advisers may be invited to the Board and Board Committees' meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agendas 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.

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

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

Company Secretaries

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

The Company Secretaries are suitably qualified, competent and capable of carrying out the duties required and have attended training and seminars conducted by the Companies Commission of Malaysia, the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and Bursa Malaysia Securities Berhad ("BURSA") to keep abreast with the relevant updates on statutory and regulatory requirements such as updates on statutory on the Bursa Malaysia Listing Requirements, compliance with Capital Markets and Services Act 2007 and Companies Act, 1965, and to ensure adherence to the MCCG 2012. The Board have access to all information within the Company and to the advice and services of the Company Secretaries.

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

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 at www.smis.com.my

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 Bursa Malaysia Listing Requirements that requires at least two (2) directors or one-third (1/3) of the Board, whichever is higher, to be independent. None of the Directors hold more than five (5) directorships in listed issuer in Malaysia. A brief profile of each Director is presented on pages 5 to 8 of this Annual Report. Mr Foo Lee Khean has been identified as the Senior Independent Non-Executive Director.

Board Diversity Policy

The Board has adopted a Board Diversity Policy on 24 February 2015 for the Board to maintain an appropriate balance of skill, knowledge, professional background and experience in its succession planning. Looking forward at upcoming requirements and identifying potential gaps; appointing the best individuals is critical in ensuring a high level of compliance and governance. The correct Board mix is also crucial for the success of the Group.

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

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

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

Age Range	Composition (%)
41 – 50	40
51 – 60	20
61 – 70	20
71 – 80	20

<u>*NC*</u>

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)*
Wern Li Morsingh	*Member (Independent Non-Executive Director)*
Oei Kok Eong	*Member (Independent Non-Executive Director)*

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

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

The Committee reviews annually the required mix of skills and experience of Directors and other qualities of the Board, including core-competencies which Non-Executive Directors should bring to the Board. The Committee also assesses annually the effectiveness of the Board as a whole, the Committees of the Board and contribution of each individual Director. The evaluation process is led by the 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. During the meeting held in November 2015, the NC reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-Executive Directors; independence of the Independent Directors, the contribution of each individual Director; effectiveness of the Board, as a whole, and the Board Committees and also the retirement of Directors by rotation who were eligible for re-election. The Board also reviewed the character, experience, integrity and competence of the Directors, CEO and 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 on 30 April 2013 which developed the criteria to be used in the assessment of Board and Board Committees as well as the procedure for Board performance assessment.

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

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

Directors' Training

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

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

The Directors are mindful that they should receive appropriate continuous training. Continuous training is vital for the Board members to gain insight into the state of technology development, current economic outlook, 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 2015 are as follows:

No	Name of Director	Programme	Date Attended
1	Ng Wai Kee	UOB GLOBAL MARKETS & INVESTMENT MANAGEMENT PRESENTS: Corporate Seminar January 2015 Global Market Outlook	22 January 2015
		New Companies Bill – Changes and Updates	26 August 2015
		Future of Auditor Reporting – The Game Changer for Boardroom	2 November 2015
2	Yap Siew Foong	New Companies Bill – Changes and Updates	26 August 2015
3	Foo Lee Khean	New Companies Bill – Changes and Updates	26 August 2015
		Portfolio Management: In Pursuit of Performance and Returns	24 October 2015
		Boardroom-Malaysian Investor Relations Association ("MIRA") Conference 2015: "Malaysia's Changing Business Landscape. Be Prepared"	27 October 2015
		Future of Auditor Reporting - The Game Changer for Boardroom	2 November 2015
4	Wern Li Morsingh	New Companies Bill – Changes and Updates	26 August 2015
		Enhance Understanding of Risk Management & Internal Control	7 October 2015
5	Oei Kok Eong	New Companies Bill – Changes and Updates	26 August 2015
		Corporate Governance Director's Workshop – The Interplay between Corporate Governance, Non-Financial Information and Investment Decisions	22 September 2015
		Sustainability Symposium: Responsible Business. Responsible Investing	8 October 2015
		Effective Conversations and Communication – Accelerating Value	19 & 20 September 2015

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

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

RC

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

Wern Li Morsingh	Chairperson *(Independent Non-Executive Director)*
Foo Lee Khean	Member *(Senior Independent Non-Executive Director)*
Ng Wai Kee	Member *(Executive Director)*

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

The RC is entrusted to recommend to the Board, the remuneration of Executive Directors and Non-Executive Directors of the Company in all its forms. The Executive Directors concerned play no part in deciding their own remuneration but may attend the Committee meeting at the invitation of the Chairman of the Committee if their presence is required. The determination of remuneration of Independent Non-Executive Directors is a matter for the Board, as a whole, with individual Director abstaining from discussion of his/her own remuneration. The Company's 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 of its members. The RC reviewed and recommended to the Board, the remuneration for the Executive Directors of the Company and all the Independent Non-Executive Directors' fees, including the fees for the two (2) Independent Non-Executive Directors, for shareholders' approval at the Company's Annual General Meeting.

Directors' Remunerations

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 2015 are disclosed below:-

Aggregate remuneration:

Category of Remuneration	Executive Directors	Non-Executive Directors	Total
Basic Salary	729,523	-	729,523
Bonus	151,470	-	151,470
Fees	24,000	140,200	164,200
Attendance Fee	-	18,000	18,000
*Others	15,300	-	15,300
Total	920,293	158,200	1,078,493

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

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

Number of Directors whose remuneration falls into the following bands:

	Number of Directors		
Remuneration Band	**Executive**	**Non-Executive**	**Total**
RM150,000 and below	-	3	3
RM250,001 to RM300,000	1	-	1
RM600,001 to RM650,000	1	-	1
Total	**2**	**3**	**5**

The Board has chosen to disclose the remuneration in bands pursuant to the Bursa Malaysia Listing Requirements 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 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 financial year under review, 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 nine (9) 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, at quarterly intervals which are scheduled at the onset of the financial year to facilitate the Directors in planning their meeting schedule for the 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 provide 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.

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

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 Bursa Malaysia Listing Requirements allow a Director to sit on the boards of five (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 2015, 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
Ng Wai Kee	Chairman, Executive Director	5/5
Yap Siew Foong	Executive Director	4/5
Foo Lee Khean	Senior Independent Non-Executive Director	5/5
Wern Li Morsingh	Independent Non-Executive Director	5/5
Oei Kok Eong	Independent Non-Executive Director	5/5

Principle 5 – Uphold integrity in financial reporting by Company

The Board has established an ARC which 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 21 to 24 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 reports announced to Bursa Securities and the annual statutory financial statements. The ARC is also entrusted to provide advice and assistance to the Board in fulfilling its statutory and fiduciary responsibilities relating to the Company's internal and external audit functions, risk management and compliance systems, accounting and control systems and matters that may significantly impact the financial condition or affairs of the business.

The Statement of Responsibility by the Directors in respect of preparation of annual audited accounts can be found on page 28 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.

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

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

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 within an acceptable risk profile and that measures are taken to mitigate any weaknesses.

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 24 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 Bursa Malaysia Listing Requirements and practices adopted by the market as well to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

To 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 and Annual Report 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 its 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.

STATEMENT ON *CORPORATE GOVERNANCE*

Cont'd

(b) Workplaces Practices

SMIS takes an inclusive approach to diversity in its employment and promotion of individuals.

As a corporate body headquartered in a multi-ethnic country and with business dealings across the region, the Group values equality and non-discrimination. Equal opportunities and fair consideration in employment, career development and promotion is given to all individuals regardless of race, ethnicity, gender, age, disability, religion or belief.

Employees are given opportunities to work across functions, across geographies and interact with co-workers within the Group. SMIS encourages its employees to adopt the same inclusive, diverse and non-discriminatory culture as it does.

(c) Share Buy-Back

The details of shares bought back and retained as treasury shares during the financial year ended 31 December 2015 are set out as below:-

	Number of SMIS Shares Purchased	Highest Price RM	Lowest Price RM	Average Price RM	Total Amount Paid RM
Jan-15	-	-	-	-	-
Feb-15	-	-	-	-	-
Mar-15	-	-	-	-	-
Apr-15	-	-	-	-	-
May-15	-	-	-	-	-
Jun-15	1,000	0.74	0.74	0.74	779
Jul-15	-	-	-	-	-
Aug-15	-	-	-	-	-
Sep-15	-	-	-	-	-
Oct-15	-	-	-	-	-
Nov-15	5,000	0.73	0.73	0.73	3,697
Dec-15	-	-	-	-	-
Total	**6,000**	**-**	**-**	**-**	**4,476**

(d) Option or Convertible Securities

There were no option or convertible securities exercised during the financial year ended 31 December 2015.

(e) 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 2015.

(f) Recurrent Related Party Transactions

The details of the transactions with related parties undertaken by the Company during the financial year ended 31 December 2015 are disclosed in note 28 on pages 89 to 91 of the notes to the financial statements and in the Circular to Shareholders, dated 29 April 2016.

(g) Non-Audit Fees

There was no non-audit fees paid to external auditors for the financial year ended 31 December 2015.

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

(h) 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 2015.

(i) Depository Receipt Programme

There was no Depository Receipt Programme sponsored by the Company during the financial year ended 31 December 2015.

(j) 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 2015.

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

(k) Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 31 December 2015.

(l) Utilisation of Proceeds

There were no proceeds raised from any proposal during the financial year ended 31 December 2015.

AUDIT AND RISK *COMMITTEE REPORT*

The Board is pleased to present the following Audit and Risk Committee ("ARC") Report for the financial year ended 31 December 2015 in accordance with Paragraph 15.15 of the Bursa Malaysia Listing Requirements.

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

Attendance at Meetings

The ARC has three (3) members, all of whom are Independent Non-Executive Directors. Members of the ARC and details of their attendance at meetings during the financial year ended 31 December 2015 are as follows:

Composition of Committee	No. of Meetings Attended
Foo Lee Khean Chairman *(Senior Independent Non-Executive Director)*	5/5
Wern Li Morsingh Member *(Independent Non-Executive Director)*	5/5
Oei Kok Eong Member *(Independent Non-Executive Director)*	5/5

The ARC held five (5) meetings during the financial year ended 31 December 2015. 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.

Upon invitation, representatives of External Auditors, Messrs Baker Tilly Monteiro Heng, the Financial Controller and related management personnel also attended specific meetings. The Chairman of the ARC reported to the Board on matters deliberated during the ARC meetings and minutes of the ARC meetings were circulated to the Board.

The ARC is in compliance with Paragraph 15.09 of the Bursa Malaysia Listing Requirements.

TERMS OF REFERENCE FOR ARC

1. OBJECTIVES

The objectives of the 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, the internal auditors and the 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;

AUDIT AND RISK *COMMITTEE REPORT*
Cont'd

(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 Bursa Securities 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 and independence 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;

AUDIT AND RISK *COMMITTEE REPORT*
Cont'd

(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 resigning 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 Malaysia 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 and person(s) 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 and Management) at least twice a year and whenever deemed necessary.

AUDIT AND RISK *COMMITTEE REPORT*
Cont'd

The Chairman of the ARC shall engage on a continuous basis with senior management, such as the Chairman, 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 2015:

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

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

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

(d) Reviewed the adequacy of scope, function, competency and resources of the Internal Audit function.

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

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

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

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

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

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

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an independent professional services firm, namely Audex Governance Sdn. Bhd., to carry out internal audit on the Group. The Head of Internal Audit reports directly to the ARC and assists the ARC in the discharge of its duties and responsibilities. Internal audit reports are presented, together with audit findings and recommendations as well as the Management's response and proposed action plans, to the ARC on a quarterly basis.

The activities of the Internal Audit Function during the financial year ended 31 December 2015 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 2015 was RM60,000 (2014 - RM60,000).

This report is made in accordance with the approval of the Board of Directors dated 24 February 2016.

STATEMENT ON *RISK MANAGEMENT AND INTERNAL CONTROL*

INTRODUCTION

The Board of Directors of SMIS Corporation Berhad is pleased to present the following Statement on Risk Management and Internal Control which outlines the nature and scope of its risk management and internal controls of the Group during the financial year ended 31 December 2015. This Statement on Risk Management and Internal Control was made in accordance with Paragraph 15.26 (b) of Bursa Malaysia Listing Requirements and in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" endorsed by Bursa Securities.

BOARD RESPONSIBILITY

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

Due to inherent limitations in any system of risk management and internal controls, the systems put into effect by Management can only manage and reduce but cannot totally eliminate all the risks of failure to achieve the Group's business objectives. Consequently, the system can only provide reasonable but not absolute assurance against material misstatement, losses or fraud.

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

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

1. Risk Management System

The Board recognises that an effective risk management practices is essential for the Group in pursuit of its corporate objectives, in today's challenging business environment and is a daily integral part of the Group's business operations and performance.

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 of Directors at its scheduled meetings, who are in consultation with the ARC. During the financial year ended 31 December 2015, the Group conducted a risk assessment exercise and updated its Key Risk Profile which was reported to the ARC.

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

2. Internal Control System

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

- An organizational structure, which clearly defines the lines of responsibility, proper segregation of duties and delegation of authority.
- Rigorous review of key information such as financial performance, key business indicators, management accounts and detailed budgets by the Board and the ARC.
- The ARC members are all independent Non-Executive Directors.
- 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.

STATEMENT ON *RISK MANAGEMENT AND INTERNAL CONTROL*

Cont'd

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

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

- Certain of the Group's operations are certified by ISO 9001:2008, ISO/TS 16949 and ISO 14001:2004. With these certifications, reviews are conducted by independent external ISO auditors particularly to ensure compliance with the terms and conditions of the respective certifications.

- Machinery segment and Automotive segment are reviewed and certified by ISO 9001:2008 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 enhance customers' satisfaction through effective application of the system, including processes for continual improvement of the system and assurance of conformity to customers' and applicable regulatory requirements.

- In addition to the above, Automotive segment is also reviewed and certified by ISO 14001:2004 where it meets specific requirements for environmental management standards and demonstrates its ability to establish, implement, maintain and improve its environmental management system to conform with its stated environmental policy.

INTERNAL AUDIT FUNCTION

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

During the financial year ended 31 December 2015, the internal audit function, led by the outsourced Internal Auditors, performed reviews in accordance with the internal audit plan approved by the ARC. Findings from the internal audit reviews, including the recommended improvement were presented to the ARC at their quarterly scheduled meetings and would thereafter be reported and recommendations be made to the Board of Directors. In addition, follow up visits were conducted to ensure that corrective actions have been implemented in a timely manner.

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

Total professional fees paid for outsourcing of internal audit function for the year ended 31 December 2015 was RM60,000 (2014 - RM60,000).

ASSURANCE FROM MANAGEMENT

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

STATEMENT ON *RISK MANAGEMENT AND INTERNAL CONTROL*

Cont'd

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Company for the financial year ended 31 December 2015 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000, Assurance Engagement other than Audits or Reviews of Historical Financial Information and RPG 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls. Their work performed are restricted to the requirements by Paragraph 15.23 of the Bursa Malaysia Listing Requirements.

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

CONCLUSION

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

This statement is approved by the Board of Directors on 24 February 2016.

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 2015 which have been made out in accordance with applicable Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the requirements of the Act in Malaysia and the Bursa Malaysia Listing Requirements.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of financial position of the Group and the Company and its subsidiaries (the "Group") as at 31 December 2015, and of the financial performance and cash flows of the Group and the Company for the financial year ended 31 December 2015.

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 2015.

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/(Loss) for the financial year, net of tax	1,388	4,231
Attributable to:		
Owners of the Company	492	4,231
Non-controlling interests	896	-
	1,388	4,231

DIVIDENDS

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

	RM'000
First and final single tier dividend of 2.5 sen per ordinary share of RM1/- each on 42,184,900 ordinary shares in respect of the financial year ended 31 December 2014, approved by the shareholders at the Annual General Meeting on 22 June 2015 and paid on 24 July 2015	1,055

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 2015 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 2016.

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.

DIRECTORS' *REPORT*

Cont'd

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 6,000 of its issued ordinary shares from the open market at an average price of RM0.7325 per share. The total consideration paid was RM4,476/- including transaction costs of RM91/-. The repurchased transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2015, the Group held 2,621,100 (2014: 2,615,100) of the Company's shares as treasury shares. The number of outstanding ordinary shares of RM1/- each in issue after set off is 42,178,900 (2014: 42,184,900).

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
Wern Li Morsingh
Oei Kok Eong

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 2015 are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2015	Bought	Sold	At 31.12.2015
The Company				
Direct interest				
Ng Wai Kee	700,900	-	-	700,900
Yap Siew Foong	1,263,730	-	-	1,263,730
Indirect interest				
Yap Siew Foong	15,680,000	-	-	15,680,000

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or a full time employee of the Company as shown in Note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events that occurred during the financial year are disclosed in Note 31 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Significant event that occurred subsequent to the end of the financial year is disclosed in Note 32 to the financial statements.

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: 7 April 2016

STATEMENTS OF *FINANCIAL POSITION*

As at 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	34,684	33,106	-	-
Investment properties	6	433	455	-	-
Intangible assets	7	-	710	-	-
Investment in subsidiaries	8	-	-	58,358	56,627
Deferred tax assets	9	1,235	1,297	-	-
Total non-current assets		36,352	35,568	58,358	56,627
Current assets					
Trade and other receivables	10	31,113	42,042	2,211	3,605
Prepayments		2,545	3,004	-	-
Inventories	11	18,055	16,159	-	-
Tax recoverable		2,705	807	-	-
Other investments	12	7,991	2,865	2,999	-
Cash and bank balances		18,397	17,388	20	-
Total current assets		80,806	82,265	5,230	3,664
TOTAL ASSETS		117,158	117,833	63,588	60,291
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	13	44,800	44,800	44,800	44,800
Treasury shares	14	(1,182)	(1,177)	(1,182)	(1,177)
Reserves	15	33,902	34,332	19,502	16,326
		77,520	77,955	63,120	59,949
Non-controlling interests		7,962	5,881	-	-
TOTAL EQUITY		85,482	83,836	63,120	59,949

STATEMENTS OF *FINANCIAL POSITION*

As at 31 December 2015

Cont'd

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Loans and borrowings	**16**	1,960	2,099	-	-
Other financial liability	**17**	23	45	-	-
Deferred tax liabilities	**9**	814	393	-	-
Total non-current liabilities		2,797	2,537	-	-
Current liabilities					
Loans and borrowings	**16**	4,089	4,691	-	-
Provision for warranties	**18**	-	288	-	-
Trade and other payables	**19**	24,741	26,195	468	342
Tax payables		49	286	-	-
Total current liabilities		28,879	31,460	468	342
TOTAL LIABILITIES		31,676	33,997	468	342
TOTAL EQUITY AND LIABILITIES		117,158	117,833	63,588	60,291

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

STATEMENTS OF *COMPREHENSIVE INCOME*

For the Financial Year ended 31 December 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	**20**	143,267	146,743	7,000	2,000
Cost of sales		(121,414)	(122,664)	-	-
Gross profit		21,853	24,079	7,000	2,000
Other operating income		2,095	1,690	37	15
Administrative and distribution expenses		(18,508)	(16,355)	(2,806)	(14,896)
Other operating expenses		(2,484)	(3,331)	-	-
Operating profit/(loss)	**21**	2,956	6,083	4,231	(12,881)
Finance income		156	186	-	-
Finance costs	**22**	(515)	(504)	-	-
Profit/(loss) before tax		2,597	5,765	4,231	(12,881)
Income tax expense	**23**	(1,209)	(2,702)	-	(43)
Profit/(loss) for the financial year		1,388	3,063	4,231	(12,924)
Other comprehensive income for the financial year, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of financial liability		22	381	-	-
Items that are or may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		73	196	-	-
Other comprehensive income /(expense) for the financial year		1,483	3,640	4,231	(12,924)

STATEMENTS OF *COMPREHENSIVE INCOME*

For the Financial Year ended 31 December 2015

Cont'd

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to:					
Owners of the Company		492	2,526	4,231	(12,924)
Non-controlling interests		896	537	-	-
		1,388	**3,063**	**4,231**	**(12,924)**
Total comprehensive income /(expense) attributable to:					
Owners of the Company		625	3,095	4,231	(12,924)
Non-controlling interests		858	545	-	-
		1,483	**3,640**	**4,231**	**(12,924)**
Earnings per ordinary share (sen):					
- basic	**24**	**1.17**	**5.99**		
- diluted	**24**	**1.17**	**5.99**		

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

CONSOLIDATED STATEMENT OF *CHANGES IN EQUITY*

For the Financial Year ended 31 December 2015

	Attributable to the Owners of the Company							
			Non-distributable		Distributable			
Group	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2015	44,800	(1,177)	4,891	241	29,200	77,955	5,881	83,836
Remeasurement of financial liability	-	-	-	-	22	22	-	22
Foreign currency translation reserve	-	-	-	111	-	111	(38)	73
Total other comprehensive income for the financial year	-	-	-	111	22	133	(38)	95
Profit net of tax for the year	-	-	-	-	492	492	896	1,388
Total comprehensive income for the financial year	-	-	-	111	514	625	858	1,483
Contibutions by and distribution to owners of the Company								
- Purchase of own shares	-	(5)	-	-	-	(5)	-	(5)
- Dividends to owners of the Company (Note 25)	-	-	-	-	(1,055)	(1,055)	-	(1,055)
- Non-controlling interests arising from acquisition of new a subsidiary	-	-	-	-	-	-	1,223	1,223
Total transaction with owners of the Company	-	(5)	-	-	(1,055)	(1,060)	1,223	163
At 31 December 2015	44,800	(1,182)	4,891	352	28,659	77,520	7,962	85,482

CONSOLIDATED STATEMENT OF *CHANGES IN EQUITY*

For the Financial Year ended 31 December 2015 *Cont'd*

	Attributable to the Owners of the Company							
			Non-distributable		Distributable			
Group	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2014	44,800	(1,166)	4,891	53	27,796	76,374	4,888	81,262
Remeasurement of financial liability	-	-	-	-	381	381	-	381
Foreign currency translation reserve	-	-	-	188	-	188	8	196
Total other comprehensive income for the financial year	-	-	-	188	381	569	8	577
Profit net of tax for the year	-	-	-	-	2,526	2,526	537	3,063
Total comprehensive income for the financial year	-	-	-	188	2,907	3,095	545	3,640
Contibutions by and distribution to owners of the Company								
- Purchase of own shares	-	(11)	-	-	-	(11)	-	(11)
- Dividends to owners of the Company (Note 25)	-	-	-	-	(1,055)	(1,055)	-	(1,055)
- Derecognition of subsidiary	-	-	-	-	(448)	(448)	448	-
Total transaction with owners of the Company	-	(11)	-	-	(1,503)	(1,514)	448	(1,066)
At 31 December 2014	44,800	(1,177)	4,891	241	29,200	77,955	5,881	83,836

STATEMENT OF *CHANGES IN EQUITY*

For the Financial Year ended 31 December 2015

Company	Share capital RM'000	Treasury shares RM'000	*Non-distributable* Share premium RM'000	*Distributable* Retained earnings RM'000	Total RM'000
At 1 January 2014	44,800	(1,166)	4,891	25,414	73,939
Loss and total comprehensive income for the year	-	-	-	(12,924)	(12,924)
Contributions by and distributions to owners of the Company					
- Purchase of treasury shares	-	(11)	-	-	(11)
- Dividend to owners of the Company (Note 25)	-	-	-	(1,055)	(1,055)
Total transactions with owners of the Company	-	(11)	-	(1,055)	(1,066)
At 31 December 2014	44,800	(1,177)	4,891	11,435	59,949
Profit and total comprehensive income for the year	-	-	-	4,231	4,231
Contributions by and distributions to owners of the Company					
- Purchase of treasury shares	-	(5)	-	-	(5)
- Dividends to owners of the Company (Note 25)	-	-	-	(1,055)	(1,055)
Total transactions with owners of the Company	-	(5)	-	(1,055)	(1,060)
At 31 December 2015	44,800	(1,182)	4,891	14,611	63,120

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

STATEMENTS OF *CASH FLOWS*
For the Financial Year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit/(loss) before taxation		2,597	5,765	4,231	(12,881)
Adjustments for:					
Depreciation of:					
- investment properties		22	22	-	-
- property, plant and equipment		5,427	5,793	-	-
Dividend income from subsidiaries		-	-	(7,000)	(2,000)
Finance income		(100)	(265)	-	(15)
Finance costs		428	461	-	-
Gain on disposal of:					
- property, plant and equipment		(8)	(233)	-	-
Impairment loss on:					
- trade receivables		25	130	-	-
- other receivables		24	-	-	-
- amount owing from subsidiaries		-	-	2,318	5,996
- investment in subsidiaries		-	-	-	8,281
- intangible assets		710	-	-	-
Income from other investments		(94)	(52)	(37)	-
Inventories written down		388	200	-	-
Income from other investments		(94)	(52)	(37)	-
Net fair value (gain)/loss on other investments		(11)	-	37	-
Reversal of inventories written down		(20)	(283)	-	-
Reversal of impairment loss on trade receivables		-	(138)	-	-
Reversal of provision on warranty		(288)	(201)	-	-
Unrealised foreign exchange gain		(1,444)	(342)	-	-
Unrealised foreign exchange loss		731	76	-	-
Operating profit/(loss) before working capital changes		8,387	10,935	(451)	(619)
Changes in Working Capital:					
Inventories		(2,264)	677	-	-
Receivables		11,382	(4,937)	(924)	(1,504)
Payables		(976)	591	126	190
Cash flows from operating activities carried forward		16,529	7,266	(1,249)	(1,933)

STATEMENTS OF *CASH FLOWS*

For the Financial Year ended 31 December 2015

Cont'd

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities brought forward		16,529	7,266	(1,249)	(1,933)
Interest paid		(322)	(322)	-	-
Tax refund		609	275	-	-
Tax paid		(3,470)	(3,286)	-	-
Net cash generated from/(used in) operating activities		13,346	3,933	(1,249)	(1,933)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(a)	(6,682)	(6,541)	-	-
Acquisition of a subsidiary	8(a)(iii)	-	-	(1,731)	-
Dividend income		-	-	7,000	2,000
Income received from other investments		94	52	37	-
Interest received		100	263	-	15
Proceeds from disposal of property, plant and equipment		8	481	-	-
(Purchase)/Disposal of other investments		(5,115)	933	(3,036)	1,022
Net cash (used in)/generated from investing activities		(11,595)	(4,812)	2,270	3,037
CASH FLOWS FROM FINANCING ACTIVITIES:					
Acquisition of non-controlling interests	8(a)(iii)	1,223	-	-	-
Dividends paid		(1,055)	(1,055)	(1,055)	(1,055)
Interest paid		(106)	(139)	-	-
Purchase of treasury shares		(5)	(11)	(5)	(11)
Repayment of other borrowings		(464)	(513)	-	-
Repayment of term loan		(132)	(128)	-	-
Repayment of hire purchase liabilities		-	(153)	-	-
Net cash used in financing activities		(539)	(1,999)	(1,060)	(1,066)

STATEMENTS OF *CASH FLOWS*

For the Financial Year ended 31 December 2015

Cont'd

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
TRANSLATION DIFFERENCES		(250)	126	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		962	(2,752)	(39)	38
EFFECT OF EXCHANGE RATE CHANGES		192	-	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		14,664	17,416	59	21
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		15,818	14,664	20	59
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Deposits placed with licensed banks		1,186	3,325	-	-
Cash at banks and on hand		17,211	14,063	20	59
Bank overdraft	16	(2,579)	(2,724)	-	-
		15,818	14,664	20	59

(a) Acquisition of property, plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM Nil (2014: RM7,507,000/-) of which RM Nil (2014: RM966,000/-) was accrued at the end of reporting year.

NOTES TO THE *FINANCIAL STATEMENTS*

1. CORPORATE 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 were approved and authorised for issue by the Board of Directors on 7 April 2016.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Adoption of amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs	
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarify that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132. They also clarify 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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

2. BASIS OF PREPARATION *Cont'd*

2.2 Adoption of amendments/improvements to MFRSs *Cont'd*

Amendments to MFRS 3 Business Combinations *Cont'd*

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

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 require 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 clarify 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 13 Fair Value Measurement

Amendments to MFRS 13 relate 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 clarify that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 or MFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 clarify the accounting treatment for the accumulated depreciation when an asset is revalued. They clarify 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 is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 provide 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 clarify 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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

2. BASIS OF PREPARATION *Cont'd*

2.2 Adoption of amendments/improvements to MFRSs *Cont'd*

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 clarify the accounting treatment for the accumulated amortisation when an asset is revalued. They clarify 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 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.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify 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.

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

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

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 14	Regulatory Deferred Account	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments/Improvements to MFRSs		
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016
MFRS 10	Consolidated Financial Statements	1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interest in Other Entities	1 January 2016
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 January 2016
MFRS 119	Employee Benefits	1 January 2016
MFRS 127	Separate financial statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	1 January 2016
MFRS 134	Interim Financial Reporting	1 January 2016
MFRS 138	Intangible Assets	1 January 2016
MFRS 141	Agriculture	1 January 2016

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

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

2. BASIS OF PREPARATION *Cont'd*

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

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 14 Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

2. BASIS OF PREPARATION *Cont'd*

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

MFRS 15 Revenue from Contracts with Customers *Cont'd*

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to MFRS 5 introduce specific guidance on when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution is discontinued.

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

Amendments to MFRS 11 Joint Arrangements

Amendments to MFRS 11 clarify that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/ liabilities and recognition of acquisition-related costs as expenses. The amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not re-measured if the joint operator retains joint control.

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 101 improve the effectiveness of disclosures. The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 prohibit revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

2. BASIS OF PREPARATION *Cont'd*

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

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

Amendments to MFRS 134 Interim Financial Reporting

The amendments to MFRS 134 require entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments state that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduce a rebuttable presumption that the revenue-based amortisation method is inappropriate. This presumption can be overcome only in the following limited circumstances:

- when the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

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

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

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures

These amendments address the following issues that have arisen in the application of the consolidation exception for investment entities:

- Exemption from presenting consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

2. BASIS OF PREPARATION *Cont'd*

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

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures *Cont'd*

These amendments address the following issues that have arisen in the application of the consolidation exception for investment entities: *Cont'd*

- Consolidation of intermediate investment entities: the amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

- Policy choice for equity accounting for investments in associates and joint ventures: the amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

Amendments to MFRS 116 Property, Plant and Equipment and Amendments to MFRS 141 Agriculture

With the amendments, bearer plants would come under the scope of MFRS 116 and would be accounted for in the same way as property, plant and equipment. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Nevertheless, the produce growing on the bearer plant would remain within the scope of MFRS 141. This is because the growth of the produce directly increases the expected revenue from the sale of the produce. Moreover, fair value measurement of the growing produce provides useful information to users of financial statements about future cash flows that an entity will actually realise as the produce will ultimately be detached from the bearer plants and sold separately.

2.4 Functional and presentation currency

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

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

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

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

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

(a) Subsidiaries and business combination

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

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

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

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

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus

- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less

- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.8 to the financial statements.

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

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

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

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.1 Basis of consolidation *Cont'd*

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

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

(b) Non-controlling interests

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

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

(c) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

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

3.3 Foreign currency transactions and operations

(a) Translation of foreign currency transactions

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

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

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.3 Foreign currency transactions and operations *Cont'd*

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

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

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

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

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

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

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

3.4 Financial instruments

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

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction cost that are directly attributable to the acquisition or issue of the financial instruments.

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

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.4 Financial instruments *Cont'd*

(a) Subsequent measurement

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

(i) Financial assets

Financial assets at fair value through profit or loss

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

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.4 Financial instruments *Cont'd*

(a) Subsequent measurement *Cont'd*

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

(i) Financial assets *Cont'd*

Unquoted equity instruments carried at cost

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 less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements.

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss

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

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

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities

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

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

(b) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.4 Financial instruments *Cont'd*

(c) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. 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 other comprehensive income is recognised in profit or loss.

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

(d) Offsetting of financial instruments

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

3.5 Property, plant and equipment

(a) Recognition and measurement

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

Cost of assets, other than bearer plants, includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

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

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

(b) Subsequent costs

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

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.5 Property, plant and equipment *Cont'd*

(c) Depreciation

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

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

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

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

(d) Derecognition

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

3.6 Leases

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

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

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.6 Leases *Cont'd*

(a) Lessee accounting *Cont'd*

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

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

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

(b) Lessor accounting

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

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

3.7 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise.

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

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

3.8 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.9 Inventories

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

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

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

3.10 Cash and cash equivalents

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

3.11 Impairment of assets

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries, associates and joint ventures) are assessed 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 financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.11 Impairment of assets *Cont'd*

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

Loans and receivables and held-to-maturity investments *Cont'd*

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

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets, assets arising from employee benefits and investment properties measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

NOTES TO THE *FINANCIAL STATEMENTS*

Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.11 Impairment of assets *Cont'd*

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. 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 previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.12 Share capital

(a) Ordinary shares

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

(b) Treasury shares

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

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

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.12 Share capital *Cont'd*

(c) 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.

3.13 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

(c) 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.

3.14 Provisions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.14 Provisions *Cont'd*

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

Warranties

Provision for warranty-related costs are recognised when the products or services are sold. Initial recognition is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.15 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.

3.16 Borrowing costs

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

3.17 Income tax

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

(a) Current tax

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

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.17 Income tax *Cont'd*

(b) Deferred tax

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

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

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

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

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

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.7 to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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

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

3.18 Earnings per ordinary share

The Group presents basic earnings per ordinary share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.19 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.20 Fair value measurements

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

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

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

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

3.21 Contingencies

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

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

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

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

NOTES TO THE *FINANCIAL STATEMENTS*

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Classification between operating lease and finance lease for leasehold land

The Group has developed certain criteria based on MFRS 117 Leases in making judgement whether a leasehold land should be classified either as operating lease or finance lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset and operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership. If the leasehold land meets the criteria of the financial lease, the lease will be classified as property, plant and equipment if it is for own use. Judgements are made on the individual leasehold land to determine whether the leasehold land qualifies as operating lease or finance lease.

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

(b) Depreciation and 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.

The carrying amounts of the Group's and the Company's property, plant and equipment are disclosed in Note 5 to the financial statements.

(c) 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 valuation carried out by an external independent property valuers.

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.

The carrying amounts of the Group's investment properties are disclosed in Note 6 to the financial statements.

(d) Impairment of goodwill

The Group assesses at each reporting date whether there is any indication that goodwill may be impaired. For the purpose of assessing impairment, assets (including goodwill) are grouped at the lowest level where there are separately identifiable cash flows (cash-generating units). In determining the value-in-use of a cash-generating unit, management estimates the discounted cash flows using reasonable and supportable inputs about sales, costs of sales and other expenses based on past experience, current events and reasonably possible future developments. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected. The carrying amount of the Group's goodwill is disclosed in Note 7 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *Cont'd*

(e) 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. The carrying amounts of the Company's investment in subsidiaries are disclosed in Note 8 to the financial statements.

(f) Measurement of income taxes

The Group and the Company operate in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise. The income tax expense of the Group and the Company are disclosed in Note 23 to the financial statements.

(g) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the subsidiaries to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance of the subsidiaries. The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 9 to the financial statements.

(h) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(i) Write-down of obsolete or slow moving inventories

The Group and the Company write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories. The carrying amounts of the Group's and the Company's inventories are disclosed in Note 10 to the financial statements.

(j) 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.

The carrying amounts of the Group's provision for warranties is disclosed in Note 18 to the financial statements.

NOTES TO THE *FINANCIAL STATEMENTS*

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5. PROPERTY, PLANT AND EQUIPMENT

Group	Lands RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings and renovations RM'000	Motor vehicles RM'000	Moulds and jigs RM'000	Capital work in progress RM'000	Total RM'000
Cost								
At 1 January 2014	7,054	14,568	41,495	11,836	2,081	8,003	1,379	86,416
Additions	-	-	3,648	1,426	-	2,009	424	7,507
Disposals/write off	-	-	(114)	(11)	-	(228)	-	(353)
Reclassification	-	-	-	1,379	-	-	(1,379)	-
Exchange differences	70	-	-	-	-	-	-	70
At 31 December 2014	7,124	14,568	45,029	14,630	2,081	9,784	424	93,640
Additions	-	-	2,450	1,036	207	202	2,787	6,682
Disposals/write off	-	-	(188)	(19)	(53)	-	-	(260)
Reclassification	-	-	-	424	-	-	(424)	-
Exchange differences	326	-	-	-	-	-	-	326
At 31 December 2015	7,450	14,568	47,288	16,071	2,236	9,985	2,787	100,388
Depreciation and impairment loss								
At 1 January 2014								
Accumulated depreciation	922	4,957	31,199	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
Depreciation for the financial year	118	286	2,257	1,418	313	1,401	-	5,793
Disposals/write off	-	-	(18)	(11)	-	(76)	-	(105)
At 31 December 2014								
Accumulated depreciation	1,040	5,243	33,438	9,716	1,498	7,123	-	58,058
Accumulated impairment loss	-	-	2,244	208	-	24	-	2,476
	1,040	5,243	35,682	9,924	1,498	7,147	-	60,534
Depreciation for the financial year	37	279	2,135	1,636	245	1,356	-	5,688
Disposals/write off	-	-	(188)	(19)	(53)	-	-	(260)
Over-provision	(261)	-	-	-	-	-	-	(261)
Exchange differences	-	-	3	-	(1)	1	-	3
At 31 December 2015								
Accumulated depreciation	816	5,522	35,388	11,333	1,689	8,480	-	63,228
Accumulated impairment loss	-	-	2,244	208	-	24	-	2,476
	816	5,522	37,632	11,541	1,689	8,504	-	65,704

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

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

Group	Lands RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings and renovations RM'000	Motor vehicles RM'000	Moulds and jigs RM'000	Capital work in progress RM'000	Total RM'000
Carrying amounts								
At 31 December 2014	6,084	9,325	9,347	4,706	583	2,637	424	**33,106**
At 31 December 2015	6,634	9,046	9,659	4,530	546	1,482	2,787	**34,684**

Company	Office equipment RM'000
Cost	
At 1 January 2014/31 December 2015	9
Accumulated depreciation	
At 1 January 2014/31 December 2015	9
Carrying amounts	
At 31 December 2014	-
At 31 December 2015	-

5.1 Assets under finance lease

The carrying amount of a freehold land and building of the Group as at financial year end held under a term loan facility amounted to RM3,032,000/- (2014: RM3,063,000/-).

5.2 Assets pledged as security

During the financial year, the following securities are pledged:

(i) A freehold land and building of the Group with carrying amount of RM3,270,000/- (2014: RM3,325,000/-) has been assigned/ pledged to a licensed bank as security for borrowings/ banking facilities granted to a subsidiary. As at 31 December 2015, the Group has not utilised the banking facilities.

(ii) A freehold land and building of the Group with carrying amount of RM3,032,000/- (2014: RM3,063,000/-) 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.

NOTES TO THE *FINANCIAL STATEMENTS*
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5. PROPERTY, PLANT AND EQUIPMENT *Cont'd*

5.3 Land

Included in the carrying amounts of land are:

	Group 2015 RM'000	Group 2014 RM'000
Freehold land	4,883	4,296
Leasehold land with unexpired lease period of:		
- more than 50 years	1,139	1,155
- less than 50 years	612	633
	6,634	**6,084**

6. INVESTMENT PROPERTIES

Group	Buildings 2015 RM'000	Buildings 2014 RM'000
Cost		
At 1 January/31 December	1,949	1,949
Depreciation and impairment loss		
At 1 January		
Accumulated depreciation	798	776
Accumulated impairment loss	696	696
	1,494	1,472
Depreciation for the financial year	22	22
At 31 December		
Accumulated depreciation	820	798
Accumulated impairment loss	696	696
	1,516	1,494
Carrying amount		
At 31 December	**433**	**455**

Investment properties comprise of an office building and a service apartment that are leased to third parties. The leases are renewable on a yearly basis. No contingent rents are charged.

NOTES TO THE *FINANCIAL STATEMENTS*
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6. INVESTMENT PROPERTIES *Cont'd*

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

	Group	
	2015	2014
	RM'000	RM'000
Rental income	191	194
Direct operating expenses:		
- income generating investment properties	(29)	(46)

(a) Fair value information

Fair value of investment properties are categorised as follows:

		Group	
	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
2015			
Buildings	6,890	-	6,890
2014			
Buildings	-	7,970	7,970

Level 2 fair value

Level 2 fair values of buildings have been derived using the sales comparison approach. Sales prices of comparable buildings in close proximity are adjusted for differences in key attributes such as property size and location. The most significant input into this valuation approach is price per square foot of comparable buildings.

During the previous financial year, the investment properties were valued using unobservable inputs, which resulted in a Level 3 fair value. Upon revision to its valuation technique in the current financial year, the fair value was therefore classified as Level 2.

Valuation processes applied by the Group

The fair value of investment properties is determined based on valuation reports dated 3 December 2015. The valuation was carried out by an external independent property valuers, Messrs Henry Butcher Malaysia Sdn. Bhd., a member of the Institute of Valuers in Malaysia, with appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

7. INTANGIBLE ASSETS

	Group Goodwill	
	2015 RM'000	2014 RM'000
Cost		
At 1 January/31 December	1,322	1,322
Accumulated impairment		
At 1 January	612	612
Impairment loss for the financial year	710	-
At 31 December	1,322	612
Carrying amount	**-**	**710**

Impairment of goodwill

The carrying amount of goodwill is allocated to the machinery parts division in the current financial year.

Machinery parts division

The recoverable amount of the machinery parts division was based on its value in use and was determined by the management. The value in use in financial year 2015 was determined in a similar manner as in financial year 2014.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RM'000	2014 RM'000
At cost		
Unquoted shares	70,614	68,883
Less: Impairment loss	(12,256)	(12,256)
	58,358	**56,627**

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

8. INVESTMENT IN SUBSIDIARIES *Cont'd*

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective ownership interest 2015 %	Effective ownership interest 2014 %	Principal activities
Direct subsidiaries				
Grand Carpet Industries Sdn. Bhd.	Malaysia	100	100	Trading of carpet of all descriptions
Sanyco Grand Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing of automotive braking components and motorcycle components
Machinery & Industrial Supplies Sdn. Bhd.	Malaysia	100	100	Trading of machinery and industrial parts supplies
Sugihara Grand Industries Sdn. Bhd.	Malaysia	60	60	Manufacturing and trading of carpet of all descriptions
Exsilio Pte. Ltd. #	Singapore	96.67	96.67	Investment holding
PT Grand Surya Techno #	Indonesia	60	-	Manufacturing and selling of automotive floor carpet assy, trunk trims and luggage mats
Cleon Technology Sdn. Bhd. *	Malaysia	-	-	Under liquidation in accordance with Section 254 of the Companies Act, 1965
Indirect Subsidiaries held through Exsilio Pte. Ltd.				
Plaspoint Sdn. Bhd.	Malaysia	96.53	96.53	Manufacturers, reproducers, developers and dealers in all kinds of plastics, resins and their wastes
PT Zusma Plastics #	Indonesia	96.54	96.60	Dormant

\# *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 previous financial year, the subsidiary was derecognised from the consolidation of the Group.*

NOTES TO THE *FINANCIAL STATEMENTS*
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8. INVESTMENT IN SUBSIDIARIES *Cont'd*

(a) Acquisition of PT Grand Surya Techno

On 18 November 2015, the Company acquired 450,000 shares representing 60% equity interest in PT Grand Surya Techno., ("PT GST"), for a cash consideration of USD450,000/- (equivalent to approximately RM1,731,000/-). PT GST is principally engaged in manufacturing and selling of automotive floor carpet assy, trunk trims and luggage mats.

(b) Non-controlling interests in subsidiaries

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

Equity interests held by non-controlling interests:

Name of company	Principal place of business/ country of incorporation	2015 (%)	2014 (%)
Sugihara Grand Industries Sdn. Bhd.	Malaysia	40%	40%
PT Grand Surya Techno	Indonesia	40%	-

Carrying amount of material non-controlling interests:

Name of company	2015 RM'000	2014 RM'000
Sugihara Grand Industries Sdn. Bhd.	7,195	5,824
PT Grand Surya Techno	727	-
Others	40	57
	7,962	5,881

Profit or loss allocated to material non-controlling interests:

Name of company	2015 RM'000	2014 RM'000
Sugihara Grand Industries Sdn. Bhd.	1,371	925
PT Grand Surya Techno	(454)	-
Others	(59)	(380)
	858	545

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

8. INVESTMENT IN SUBSIDIARIES *Cont'd*

(c) Summarised financial information of material non-controlling interests:

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

	Sugihara Grand Industries Sdn. Bhd. RM'000	PT Grand Surya Techno RM'000
Summarised statements of financial position		
At 31 December 2015		
Non-current assets	11,546	1,095
Current assets	24,428	1,095
Non-current liabilities	(430)	-
Current liabilities	(17,556)	(372)
Net assets	17,988	1,818
Summarised statements of comprehensive income		
Financial year ended 31 December 2015		
Revenue	73,923	27
Profit/(Loss) for the year	3,427	(1,023)
Total comprehensive income/(expense)	3,427	(1,135)
Summarised cash flows information		
Financial year ended 31 December 2015		
Cash flows from/(used in) operating activities	7,433	(1,282)
Cash flows used in investing activities	(4,308)	(1,180)
Cash flow from financing activities	-	2,880
Net increase in cash and cash equivalents	3,125	418
Dividends paid to NCI	-	-
Summarised statement of financial position		
At 31 December 2014		
Non-current assets	10,423	-
Current assets	15,936	-
Non-current liabilities	(192)	-
Current liabilities	(11,606)	-
Net assets	14,561	-

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

8. INVESTMENT IN SUBSIDIARIES *Cont'd*

(c) Summarised financial information of material non-controlling interests: *Cont'd*

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

	Sugihara Grand Industries Sdn. Bhd. RM'000	PT Grand Surya Techno RM'000
Summarised statement of comprehensive income		
Financial year ended 31 December 2014		
Revenue	65,244	-
Profit for the year	2,313	-
Total comprehensive income	2,313	-
Summarised cash flows information		
Financial year ended 31 December 2014		
Cash flows from operating activities	2,899	-
Cash flows used in investing activities	(5,463)	-
Cash flow used in financing activities	(396)	-
Net decrease in cash and cash equivalents	(2,960)	-
Dividends paid to NCI	-	-

9. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group	
	2015 RM'000	2014 RM'000
Deferred tax assets, net	1,235	1,297
Deferred tax liabilities, net		
- subject to income tax	(814)	(393)
	421	904

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

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

	Group	
	2015 RM'000	2014 RM'000
At 1 January	904	1,104
Recognised in profit or loss (Note 23)		
- property, plant and equipment	34	1,892
- unutilised capital allowance	(242)	54
- other deductible differences	(55)	(2,146)
- other items	(220)	-
	(483)	(200)
At 31 December	421	904

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

	Group	
	2015 RM'000	2014 RM'000
Deferred tax assets		
Deferred tax assets (before offsetting)		
- unutilised capital allowance	304	546
- other deductible differences	1,999	2,054
	2,303	2,600
Offsetting	(1,068)	(1,303)
Deferred tax assets (after offsetting)	1,235	1,297
Deferred tax liabilities		
Deferred tax liabilities (before offsetting)		
- property, plant and equipment	(1,662)	(1,696)
- other items	(220)	-
	(1,882)	(1,696)
Offsetting	1,068	1,303
Deferred tax liabilities (after offsetting)	(814)	(393)

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

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

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

	Group	
	2015 RM'000	2014 RM'000
Unused tax losses	4,984	4,752
Unabsorbed capital allowances	1,190	905
	6,174	5,657
Potential deferred tax assets not recognised at 24% (2014: 24%)	1,482	1,358

The unutilised tax losses and unabsorbed capital allowances do not expire under current tax legislation.

10. INVENTORIES

	Group	
	2015 RM'000	2014 RM'000
At cost		
Raw materials	9,448	7,969
Work-in-progress	1,088	876
Manufactured goods	2,653	2,577
Trading goods	4,006	4,152
Consumables	860	585
	18,055	**16,159**

	Group	
	2015 RM'000	2014 RM'000
Recognised in profit or loss:		
Inventories recognised as cost of sales	93,286	93,106
Inventories written-down	388	200
Reversal of inventories written-down	(20)	(283)

During the financial year, the Group reversed the previous inventories written down value of RM20,000/- (2014: RM283,000/-) as a result of sales made on these inventories.

NOTES TO THE *FINANCIAL STATEMENTS*

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11. TRADE AND OTHER RECEIVABLES

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Current:					
Trade					
Trade receivables	(a)	27,943	41,453	-	-
Non-trade					
Other receivables	(b)	1,152	249	10	-
Deposits	(c)	2,018	340	-	-
Amount owing from subsidiaries	(d)	-	-	2,201	3,605
		3,170	589	2,211	3,605
		31,113	42,042	2,211	3,605

(a) Trade receivables

Credit terms of trade receivables range from 60 to 180 days (2014: 60 to 180 days).

The Group maintain an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's trade receivables are as follows:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
31 December 2015			
Not past due	13,847	-	13,847
Past due 0-30 days	8,323	-	8,323
Past due 31-120 days	4,544	-	4,544
Past due more than 120 days	2,544	(1,315)	1,229
	29,258	(1,315)	27,943
31 December 2014			
Not past due	18,784	-	18,784
Past due 0-30 days	8,657	-	8,657
Past due 31-120 days	10,228	-	10,228
Past due more than 120 days	5,171	(1,387)	3,784
	42,840	(1,387)	41,453

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

11. TRADE AND OTHER RECEIVABLES *Cont'd*

(a) Trade receivables *Cont'd*

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

	Group	
	2015 RM'000	2014 RM'000
At 1 January	1,387	1,395
Charge for the financial year	25	130
Reversal of impairment loss	-	(138)
Written off	(97)	-
At 31 December	**1,315**	**1,387**

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

(b) Included in other receivables is an amount of RM388,000/- owing from a shareholder of a subsidiary. The amount owing is non-trade in nature, unsecured, interest free and repayable on demand.

(c) Included in deposits of the Group are amounts totaling of RM1,678,000/- (2014: RM Nil) being deposits made for the purchase of plant and machineries.

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

12. OTHER INVESTMENTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial assets at fair value through profit or loss				
- Investment in unit trust, quoted in Malaysia	7,991	2,865	2,999	-
Market value of quoted unit trust	7,991	2,865	2,999	-

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

13. SHARE CAPITAL

	Group and Company			
	Number of ordinary share of RM1 each		Amount	
	2015	2014	2015	2014
	Unit'000	Unit'000	RM'000	RM'000
Authorised:				
At 1 January/31 December	60,000	60,000	60,000	60,000
Issued and fully paid up:				
At 1 January/31 December	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

During the financial year, the Company repurchased 6,000 of its issued ordinary shares from the open market at an average price of RM0.7325 per share. The total consideration paid was RM4,476/- including transaction costs of RM91/-. The shares repurchased were retained as treasury shares.

At 31 December 2015, the Group held 2,621,100 (2014: 2,615,100) of the Company's shares as treasury shares. The number of outstanding ordinary shares of RM1/- each in issue after the set-off is 42,178,900 (2014: 42,184,900).

At 31 December 2015, the Company's treasury shares are held at a carrying amount of RM1,182,000/- (2014: RM1,177,000/-).

15. RESERVES

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Non-distributable					
Share premium	(a)	4,891	4,891	4,891	4,891
Foreign currency translation reserve	(b)	352	241	-	-
		5,243	5,132	4,891	4,891
Distributable					
Retained earnings	(c)	28,659	29,200	14,611	11,435
		33,902	34,332	19,502	16,326

NOTES TO THE *FINANCIAL STATEMENTS*
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15. RESERVES *Cont'd*

(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. The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act, 1965 in Malaysia.

(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) Retained earnings

As at 31 December 2015, the Company is able to distribute the entire balance of retained earnings under the single tier system.

16. LOANS AND BORROWINGS

		Group	
		2015	2014
	Note	RM'000	RM'000
Non-current			
Term loan	(a)	1,960	2,099
Current			
Term loan	(a)	137	130
Revolving credit	(b)	-	302
Bank overdraft	(b)	2,579	2,724
Banker acceptance	(b)	1,373	1,535
		4,089	4,691
Total loans and borrowings			
Term loan	(a)	2,097	2,229
Revolving credit	(b)	-	302
Bank overdraft	(b)	2,579	2,724
Banker acceptance	(b)	1,373	1,535
		6,049	6,790

NOTES TO THE *FINANCIAL STATEMENTS*
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16. LOANS AND BORROWINGS *Cont'd*

(a) Term loan

The term loan bears interest rate at 4.85% (2014: 4.85%) per annum and repayable by 180 monthly installments of RM20,000/- each commencing one month from the date of first drawdown with adjustment in the last installment.

The term loan is 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 RM3,032,000/- ; and

(ii) corporate guarantee by the Company.

(b) The revolving credit, banker acceptance and bank overdraft of the Group is supported by a corporate guarantee of RM8,800,000/- (2014: RM8,800,000/-) issued by the Company.

17. OTHER FINANCIAL LIABILITY

	Group	
	2015 RM'000	2014 RM'000
Written put options to non-controlling interest	23	45

The Group has written put options to a non-controlling interest of a subsidiary. These put options provide the non-controlling interest the right to require the Group to acquire shares owned by a key management personnel. These put options are exercisable from 1 January 2017 to 30 June 2020.

The put options were revalued by Directors during the financial year using the Black Scholes model and was based on the following key assumptions:

* Exercise price of RM2.64 as set out in the Call and Put Option Agreement;
* Share price of RM0.18 as at 31 December 2015 based on the net asset per share of the subsidiary;
* Risk free interest rate of 2.375%; and
* Expected volatility rate of 1% in the share price.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

18. PROVISIONS FOR WARRANTIES

	Group	
	2015 RM'000	2014 RM'000
Current		
At 1 January	288	489
Provisions reversed during the financial year	(288)	(201)
At 31 December	-	288

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

	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current:					
Trade					
Trade payables	(a)	13,562	15,715	-	-
Non-trade					
Other payables and accruals	(b)	11,179	10,480	225	342
Amount due to a subsidiary	(c)	-	-	243	-
		11,179	10,480	468	342
Trade and other payables		**24,741**	**26,195**	**468**	**342**

(a) Credit terms of trade payables range from 30 to 120 days (2014: 30 to 120 days).

(b) Included in other payables and accruals of the Group is an amount of RM Nil/- (2014: RM966,000/-) accrued for the acquisition of plant and machineries.

(c) Amount owing to a subsidiary is non-trade in nature, unsecured, interest free and repayable on demand.

20. REVENUE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Automotive parts	122,818	126,003	-	-
Dividends income	-	-	7,000	2,000
Machinery parts	11,546	15,209	-	-
Plastic resins trading and compounding	8,903	5,531	-	-
	143,267	**146,743**	**7,000**	**2,000**

NOTES TO THE *FINANCIAL STATEMENTS*
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21. OPERATING PROFIT/(LOSS)

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
After charging:				
Auditors' remuneration:				
- Malaysian operations				
- current year	166	156	55	45
- prior year	6	(16)	10	-
- Overseas operation				
- current year	42	16	-	-
Depreciation of:				
- investment properties	22	22	-	-
- property, plant and and equipment	5,427	5,793	-	-
Fair value loss on short term investments	37	-	37	-
Foreign exchange loss:				
- realised	279	136	-	-
- unrealised	731	76	-	-
Impairment loss on:				
- trade receivables	25	130	-	-
- other receivable	24	-	-	-
- amount owing from subsidiaries	-	-	2,318	5,996
- investment in subsidiaries	-	-	-	8,281
- intangible assets	710	-	-	-
Inventories written down	388	200	-	-
Lease equipments	344	393	-	-
Loss on disposal of property, plant and equipment	-	1	-	-
Personnel expenses (including key management personnel):				
- contribution to Employees Provident Fund	1,734	1,710	-	-
- wages, salaries and others	20,956	22,576	18	15
Rental expenses for:				
- factory	195	-	-	-
- plant and equipment	30	-	-	-
- warehouse and staff housing facilities	225	170	-	-

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

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

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
And crediting:				
Dividend income from subsidiaries	-	-	7,000	2,000
Finance income	100	265	-	15
Fair value gain on short term investments	48	-	-	-
Foreign exchange gain:				
- realised	187	50	-	-
- unrealised	1,444	342	-	-
Gain on disposal of				
- other investments	-	121	-	-
- property, plant and equipment	8	234	-	-
Income from other investments	94	52	37	-
Rental income from:				
- premises	66	41	-	-
- investment properties	166	169	-	-
Reversal of impairment loss on trade receivables	-	138	-	-
Reversal of inventories written-down	20	283	-	-
Reversal of provision on warranty	288	201	-	-

22. FINANCE COSTS

	Group	
	2015 RM'000	2014 RM'000
Interest expense:		
- banker acceptances	78	65
- bank overdraft	238	235
- commitment fee	-	17
- letter of credit	6	5
- term loan	106	139
	428	461
Other bank charges	87	43
	515	504

23. TAXATION

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Income tax expense					
- current year		(1,439)	(2,675)	-	(43)
- prior year		713	173	-	-
		(726)	(2,502)	-	(43)
Deferred taxation					
- current year	9	(304)	(175)	-	-
- prior year	9	(179)	(25)	-	-
		(483)	(200)	-	-
		(1,209)	**(2,702)**	**-**	**(43)**

Domestic income tax is calculated at the Malaysia statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year. In the Budget Speech 2014, the Government of Malaysia announced that the domestic statutory tax rate will be reduced to 24% from the current year's rate of 25% with effect from the year of assessment 2016. The computation of deferred tax as at 31 December 2015 and 31 December 2014 has reflected those changes.

A reconciliation of income tax expense applicable to profit/(loss) 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 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Profit/(Loss) before taxation	2,597	5,765	4,231	(12,881)
Taxation at applicable tax rate of 25%	(649)	(1,441)	(1,058)	3,220
Tax effect arising from				
- non-deductible expenses	(1,311)	(980)	(702)	(3,641)
- tax exempt income	95	2	1,760	421
- difference in tax rates	(4)	(95)	-	-
Utillisation of reinvestment allowances	250	53	-	-
- overaccrual in prior years	534	148	-	-
- unrecognised deferred tax assets	(124)	(389)	-	(43)
Tax (expenses)/income for the financial year	(1,209)	(2,702)	-	(43)

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2015 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2015	2014
	RM'000	RM'000
Profit attributable to owners of the Company	492	2,526
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	44,800	44,800
Effect of treasury shares held	(2,731)	(2,607)
Weighted average number of ordinary shares at 31 December	42,069	42,193
Basic earnings per share (sen)	**1.17**	**5.99**

Diluted earnings per ordinary share

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

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

25. DIVIDENDS

	Group and Company	
	2015	2014
	RM'000	RM'000
Recognised during the financial year		
Dividends on ordinary shares:		
First and final single tier dividend of 2.5 sen per ordinary share of RM1/- each	1,055	1,055

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 2015 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 2016.

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26. OPERATING LEASES

Leases as leasee

	Group	
	2015	2014
	RM'000	RM'000
Less than one year	272	498
Between one and five years	159	408
Later than five years	-	1
	431	907

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.

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:

	Group	
	2015	2014
	RM'000	RM'000
Less than one year	10	10

27. CONTINGENT LIABILITIES

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

	Group and Company	
	2015	2014
	RM'000	RM'000
Guarantee given to secure equipment purchased by subsidiaries	188	216

28. RELATED PARTY TRANSACTIONS

(a) Identification of related parties

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

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

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

NOTES TO THE *FINANCIAL STATEMENTS*
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28. RELATED PARTY TRANSACTIONS *Cont'd*

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

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

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

Shigeru Sugihara is also substantial shareholder of SUGI-Japan.

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

(b) Significant related party transaction

	Group Amount transacted for the year ended 31 December	
	2015	2014
	RM'000	RM'000
San Yes Automotive Technology Co. Ltd.		
Purchase of raw materials	142	631
Sugihara Co. Ltd.		
Purchase of property, plant and equipment	1,106	903
Royalties	677	622
Other expenses	752	628

(c) The key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Company's Directors				
- Fees	164	181	164	181
- Remuneration	2,757	2,804	18	15
- Other short term employee benefits (including estimated monetary value of benefit-in-kind)	19	19	-	-
Other key management personnel:				
- Remuneration	284	308	-	-
	3,179	3,312	182	196

28. RELATED PARTY TRANSACTIONS *Cont'd*

(c) The key management personnel compensation *Cont'd*

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 RM19,000/- (2014: RM19,000/-).

29. CAPITAL COMMITMENTS

	Group	
	2015 RM'000	2014 RM'000
Property, plant and equipment		
Contracted but not provided for and payable		
- plant and machineries	6,236	-
- computer software	-	823

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Loans and receivables (L&R);
(ii) Fair value through profit or loss ("FVTPL"); and
(iii) Other financial liabilities (FL)

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
2015			
Financial assets			
Group			
Trade and other receivables	31,113	31,113	-
Other investments	7,991	-	7,991
Cash and cash equivalents	18,397	18,397	-
	57,501	49,510	7,991

NOTES TO THE *FINANCIAL STATEMENTS*
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30. FINANCIAL INSTRUMENTS *Cont'd*

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

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
2015			
Financial assets			
Company			
Trade and other receivables	2,211	2,211	-
Other investments	2,999	-	2,999
Cash and cash equivalents	20	20	-
	5,230	2,231	2,999
2014			
Group			
Trade and other receivables	42,042	42,042	-
Other investments	2,865	-	2,865
Cash and cash equivalents	17,388	17,388	-
	62,295	59,430	2,865
Company			
Trade and other receivables	3,605	3,605	-
Cash and cash equivalents	59	59	-
	3,664	3,664	-
Financial liabilities			
2015			
Group			
Loans and borrowings	(6,049)	(6,049)	-
Trade and other payables	(24,741)	(24,741)	-
Other financial liabilities	(23)	(23)	-
	(30,813)	(30,813)	-

30. FINANCIAL INSTRUMENTS *Cont'd*

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

	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
Financial liabilities			
2015			
Company			
Trade and other payables	(468)	(468)	-
2014			
Group			
Loans and borrowings	(6,790)	(6,790)	-
Trade and other payables	(26,195)	(26,195)	-
Other financial liabilities	(45)	(45)	-
	(33,030)	(33,030)	-
Company			
Trade and other payables	(342)	(342)	-

(b) Financial risk management

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

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

(i) Credit risk

Trade and other receivables

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

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

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

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

30. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(i) Credit risk *Cont'd*

Trade and other receivables *Cont'd*

The Group and the Company use ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial year is disclosed in Note 11. Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. A significant portion of these trade receivables are regular customers that have been transacting with the Group and the Company. Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. Impairment are made on specific receivables when there is objective evidence that the Group and the Company will not be able to collect all amounts due.

The Group and the Company monitor the results of the immediate holding company, subsidiaries and related companies in determining the recoverability of these intercompany balances.

<u>Credit risk concentration profile</u>

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

	Group	
	2015	2014
	RM'000	RM'000
Automotive parts	21,901	34,120
Machinery parts	3,629	5,392
Plastic resins trading and compounding	2,413	1,941
	27,943	41,453

Other financial assets

For other financial assets (including cash and bank balances, short term investment and short-term deposits placed with licensed banks), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Financial guarantees

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

The maximum exposure to credit risk amounts to RM6,049,000/- (2014: RM6,790,000/-) representing the outstanding facilities of subsidiaries as at end of the reporting period.

As at end of the reporting period, there was no indication that any subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

30. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's treasury department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		← Contractual cash flows →			
	Carrying amount	Under 1 year	2-5 years	> 5 years	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000
2015					
Bank overdraft	2,579	2,579	-	-	2,579
Banker acceptance	1,373	1,373	-	-	1,373
Term loan	2,097	236	943	1,573	2,752
Trade and other payables	24,741	24,271	-	-	24,271
2014					
Bank overdraft	2,724	2,724	-	-	2,724
Banker acceptance	1,535	1,535	-	-	1,535
Revolving credit	302	302	-	-	302
Term loan	2,229	235	943	1,810	2,988
Trade and other payables	26,195	26,195	-	-	26,195
Company					
2015					
Other payables	468	468	-	-	468
2014					
Other payables	342	342	-	-	342

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

30. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(iii) Currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales, purchases and cash and cash equivalents that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group does not engage in foreign currency hedging on its foreign currency exposures but the management is monitoring these exposures on an ongoing basis.

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

	← Denominated in →								
	USD	JPY	EUR	SGD	THB	AUD	CHF	CNY	INR
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015									
Trade receivables	2,499	-	-	-	-	-	-	-	-
Other receivables	280	1,579	-	-	-	-	-	-	-
Cash and cash equivalents	3,070	-	-	-	-	-	-	-	-
Trade payables	(1,135)	(1,104)	-	-	(2)	(37)	-	(16)	-
Other payables	(60)	-	-	(28)	-	-	-	-	(4)
Exposure in the statements of financial position	4,654	475	-	(28)	(2)	(37)	-	(16)	(4)
2014									
Trade receivables	1,610	-	-	-	-	-	-	-	-
Cash and cash equivalents	1,528	-	-	-	-	-	-	-	-
Trade payables	(1,627)	(4,305)	(162)	-	(8)	(61)	(340)	(12)	-
Other payables	(103)	-	-	-	-	-	-	-	-
Exposure in the statements of financial position	1,408	(4,305)	(162)	-	(8)	(61)	(340)	(12)	-

NOTES TO THE *FINANCIAL STATEMENTS*
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30. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(iii) Currency risk *Cont'd*

Currency risk sensitivity analysis

The Group's and the Company's principal foreign currency exposure relates mainly to United States Dollar ("USD"), Japanese Yen ("JPY"), Euro ("EUR") and Swiss Franc ("CHF").

The following table demonstrates the sensitivity to a reasonably possible change in the USD, JPY, EUR and CHF, with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Change in rate	Effect on profit for the financial year RM'000
2015		
USD	+ 10%	349
JPY	+ 10%	36
EUR	+ 10%	-
CHF	+ 10%	-
2014		
USD	+ 10%	106
JPY	+ 10%	(323)
EUR	+ 10%	(12)
CHF	+ 10%	(26)

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

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

The Group is presently enjoying competitive interest rates which are reviewed and negotiated on a yearly basis. The Group 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.

NOTES TO THE *FINANCIAL STATEMENTS*
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30. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(iv) Interest rate risk *Cont'd*

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the 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.

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.

	Change in basis points	Effect on profit for the financial year RM'000
2015	+ 100	(45)
	- 100	45
2014	+ 100	(51)
	- 100	51

(v) Market price risk

Market price risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments, investment in unit trust as a result of changes in market price (other than interest or exchange rates). The Group and the Company manage its market price risk by monitoring 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

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.

30. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(v) Market price risk *Cont'd*

Group	Change in basis points	Effect on profit for the financial year RM'000
2015	+ 100	60
	- 100	(60)
2014	+ 100	21
	- 100	(21)
Company		
2015	+ 100	22
	- 100	(22)

(c) Fair value measurement

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.

NOTES TO THE *FINANCIAL STATEMENTS*
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30. FINANCIAL INSTRUMENTS *Cont'd*

(c) Fair value measurement *Cont'd*

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

Group	Carrying amount Total RM'000	Fair value of financial instruments carried at fair value — Fair value — Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015					
Financial assets					
Other investments	7,991	7,991	-	-	-
Financial liabilities					
Other financial liabilities	(23)	-	-	(23)	(23)
2014					
Financial assets					
Other investments	2,865	2,865	-	-	-
Financial liabilities					
Other financial liabilities	(45)	-	(45)	-	(45)
Company					
2015					
Financial assets					
Other investments	2,999	2,999	-	-	-

Level 2 fair value

Fair value of financial instruments carried at fair value

Fair value, which is determine for disclosure purposes, is calculated based on the valuation report dated 24 March 2015, carried out by an independent professional firm of valuer using the Black Scholes model, which resulted in a Level 2 fair value.

Level 3 fair value

Fair value of financial instruments carried at 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.

30. FINANCIAL INSTRUMENTS *Cont'd*

(c) Fair value measurement *Cont'd*

Type	Valuation techique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Written put options	The fair value of put options is calculated using the Black Scholes model	Risk free interest rate of 2.375%	The estimated fair value would increase/(decrease) if the risk free interest rate were (lower)/higher
		Expected volatility rate of 1% in the share price	The estimated fair value would increase/(decrease) if the volatility rate were higher/(lower)

Cash flow sensitivity analysis for variable rate instruments

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

Group	Change in basis points	Effect on other comprehensive income RM'000
2015		
Risk free interest rate (1% movement)	1%	(2)
Volatility rate (1% movement)	1%	(2)

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the following were completed:

(a) On 2 April 2015, PT Zusma Plastics ("PT Zusma") obtained an approval from Minister of Law and Human Rights of Indonesia to reduce the issued and paid-up share capital of PT Zusma from 1,500 ordinary shares of Rp8,544,000/- or USD1,000/- each to 750 ordinary shares of Rp8,544,000/- or USD1,000/- each (the "Capital Reduction").

Following the Capital Reduction, the issued and paid-up share capital of PT Zusma has been reduced from Rp12,816,000,000/- or USD1,500,000/- divided into 1,500 ordinary shares of Rp8,544,000/- or USD1,000/- each to Rp6,408,000,000/- or USD750,000/- divided into 750 ordinary shares of Rp8,544,000/- or USD1,000/- each by cancelling 750 ordinary shares of Rp8,544,000/- or USD1,000/- each. The composition of the shareholder of PT Zusma after the Capital Reduction have changed by 0.06%;

(b) On 18 November 2015, the Company acquired 450,000 shares representing 60% equity interest in PT Grand Surya Techno., ("PT GST"), for a cash consideration of USD450,000/- (equivalent to approximately RM1,731,000/-). PT GST is principally engaged in manufacturing and selling of automotive floor carpet assy, trunk trims and luggage mats.

32. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year end, the following were completed:

(a) On 25 February 2016, Sugihara Grand Industries Sdn. Bhd. had entered into a Sale and Purchase Agreement with C.T. Campbell Holdings Sdn. Bhd. to acquire a single storey factory located at PT 12673, Kawasan Perindustrian Sendayan Tech Valley, Bandar Sri Sendayan, 71950 Seremban, Negari Sembilan Darul Khusus, for a total consideration of RM7,000,000/-; and

(b) On 16 March 2016, the Company acquired 1,000 ordinary shares of SGD1/- each or equivalent to RM3/- each of Hawlford Holdings Pte. Ltd. ("HHPL") which represents 100% of equity interest in HHPL for a total cash consideration of RM3,000/-.

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33. CAPITAL MANAGEMENT

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

During 2015, 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 2015 was as follows:

Group	2015 RM'000	2014 RM'000
Total loans and borrowings (Note 16)	6,049	6,790
Total equity	85,482	83,126
Gearing ratio	0.07	0.08

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.

34. 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.

Factors used to identify reportable segments

The factors used to identify the entity's reportable segments are based on each subsidiary's principal activities and the products manufactured.

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34. OPERATING SEGMENTS *Cont'd*

	Automotive parts RM'000	Machinery parts RM'000	Plastic resins trading and compounding RM'000	Others RM'000	Inter-segment Elimination RM'000	Notes	Total RM'000
2015							
Revenue from external customers	122,318	12,046	8,903	7,000	(7,000)	(a)	143,267
Segment profit/ (loss)	5,923	(1,160)	(952)	4,231	(5,086)		2,956
Included in the measure of segment profit are:							
Depreciation of property plant and equipment	(4,816)	(362)	(249)	-	-		(5,427)
Depreciation of investment properties	(6)	(16)	-	-	-		(22)
Reversal of inventories written-down	-	20	-	-	-		20
Reversal of provision on warranty	288	-	-	-	-		288
Impairment loss on trade receivables	(19)	(6)	-	-	-		(25)
Impairment loss on other receivables	-	(24)	-	-	-		(24)
Impairment loss on intangible assets	-	(710)	-	-	-		(710)
Inventories written-down	-	(388)	-	-	-		(388)
Not included in the measure of segment profit but provided to Group's Chief Executive Director:							
Finance costs	(44)	(27)	(444)	-	-		(515)
Finance income	95	55	6	-	-		156
Taxation	(1,116)	89	(182)	-	-		(1,209)
Segment assets	83,279	17,205	13,722	3,030	(78)	(b)	117,158
Included in the measure of segment assets are:							
Additions to non-Current assets other than financial instruments and deferred tax assets	6,500	127	381	-	-		7,008

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34. OPERATING SEGMENTS *Cont'd*

	Automotive parts RM'000	Machinery parts RM'000	Plastic resins trading and compounding RM'000	Others RM'000	Inter-segment Elimination RM'000	Notes	Total RM'000
2014							
Revenue from external customers	126,003	15,209	5,531	2,000	(2,000)	(a)	146,743
Segment profit/(loss)	8,908	56	(3,055)	2,174	(2,000)		6,083
Included in the measure of segment profit are:							
Depreciation of property plant and equipment	(4,862)	(376)	(555)	-	-		(5,793)
Depreciation of investment properties	(6)	(16)	-	-	-		(22)
Reversal of inventories written-down	-	283	-	-	-		283
Reversal of impairment loss on trade Receivables	118.00	20	-	-	-		138
Reversal of provision on warranty	201	-	-	-	-		201
Impairment of goodwill Impairment loss on	(78)	(52)	-	-	-		(130)
trade receivables Inventories written-down	-	(200)	-	-	-		(200)
Not included in the measure of segment profit but provided to Group's Chief Executive Director:							
Finance costs	(45)	(9)	(450)	-	-		(504)
Finance income	150	23	13	-	-		186
Taxation	(2,407)	(170)	(82)	(43)	-		(2,702)
Segment assets	82,011	18,921	14,817	2,162	(78)	(b)	117,833
Included in the measure of segment assets are:							
Additions to non-current assets other than Financial instruments and deferred tax assets	6,832	177	568	-	-		7,577

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

34. OPERATING SEGMENTS *Cont'd*

Notes Nature of elimination to arrive at amounts reported in the consolidated financial statements:

(a) Intersegment revenues are eliminated on consolidation; and

(b) Intersegment assets are eliminated on consolidation.

Reconciliations of reportable segment profit or loss

	2015 RM'000	2014 RM'000
Profit or loss		
Total profit or loss for reportable segments	2,956	6,083
Finance costs	(515)	(504)
Finance income	156	186
Consolidated profit before tax	2,597	5,765
Taxation	(1,209)	(2,702)
Consolidated profit after tax	1,388	3,063

Major customers

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

	Revenue		Segments
	2015 RM'000	2014 RM'000	
Customer A	24,631	30,714	Automotive parts
Customer B	13,546	14,537	Automotive parts
Customer C	35,261	28,603	Automotive parts

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

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 2015 are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	54,309	56,799	14,611	11,435
- unrealised	1,144	215	-	-
	55,453	57,014	14,611	11,435
Less: Consolidation adjustments	(26,794)	(27,814)	-	-
Total retained earnings	28,659	29,200	14,611	11,435

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.

STATEMENT BY *DIRECTORS*

We, **NG WAI KEE** and **YAP SIEW FOONG**, being two of the Directors of the Group and of the Company, do hereby state that in the opinion of the Directors, the financial statements set out on pages 34 to 105 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 2015 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

The supplementary information set out on page 106 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: 7 April 2016

STATUTORY *DECLARATION*

I, **NG WAI KEE**, being the Director primarily responsible for the financial management of the Group and of the Company, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 34 to 105 and the supplementary information set out on page 106 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 7 April 2016.

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 2015 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 105.

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 2015 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.

INDEPENDENT AUDITORS' *REPORT*

to the members of SMIS Corporation Berhad

Cont'd

Other Reporting Responsibilities

The supplementary information set out in page 106 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 preparation of the supplementary information 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

Ong Teng Yan
No. 3076/07/17 (J)
Chartered Accountant

Kuala Lumpur

Date: 7 April 2016

SHAREHOLDINGS *STATISTICS*
As at 31 March 2016

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 42,178,900)

Size of Holdings	No of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities	% of Issued Capital *
1 - 99	10	0.97	264	0.00
100 - 1,000	246	23.84	219,600	0.52
1,001 - 10,000	553	53.59	2,753,400	6.53
10,001 - 100,000	189	18.31	5,521,700	13.09
100,001 - 2,108,944*	32	3.10	14,483,936	34.34
2,108,945 and above**	2	0.19	19,200,000	45.52
Total	**1,032**	**100.00**	**42,178,900**	**100.00**

Total No. of Shareholders / Depositors	:	1,032
Total Shareholdings / Securities	:	42,178,900
Total Percentage (%)	:	100.0000

* *Excludes 2,621,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 31 March 2016.*

SHAREHOLDINGS *STATISTICS*

As at 31 March 2016

Cont'd

LIST OF TOP 30 SHAREHOLDERS / DEPOSITORS

No	Name	Normal Holdings	Holding Percentage % *
1	MIYES HOLDINGS SDN. BHD.	15,680,000	37.18
2	HSBC NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR BSI SA (BSI BK SG-NR)*	3,520,000	8.35
3	HLIB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR 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	3.25
6	YAP SIEW FOONG	1,263,730	3.00
7	LIM PEI TIAM @ LIAM AHAT KIAT	864,700	2.05
8	HLB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN*	797,100	1.89
9	NG WAI KEE	640,900	1.52
10	NG ENG BEE	560,000	1.33
11	RHB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR DATO' TAN EE SENG*	479,000	1.14
12	YEOH PHEK LENG	430,000	1.02
13	NG ENG BEE	395,195	0.94
14	ENG KIM LIAN	380,964	0.90
15	CHONG TECK HOO @ CHAM TECK HOO	352,089	0.84
16	CHAM BEE SENG @ CHIAM BEE SENG	349,989	0.83
17	LEE HA SING	264,400	0.63
18	GOH YOKE CHOO	253,800	0.60
19	AMBANK (M) BERHAD *PLEDGED SECURITIES ACCOUNT FOR MOHD RIANI BIN OSMAN (SMART)*	250,000	0.59
20	TAN SIEW HOONG	216,700	0.51
21	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON (E-BMM)*	205,000	0.49
22	TAN JIN TUAN	203,000	0.48
23	PUBLIC INVEST NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KOAY YAN WAH (M)*	180,000	0.43
24	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KOAY TENG HUP (M01)*	170,000	0.40
25	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LIM CHAI GUAN (474333)*	170,000	0.40
26	CHAN SENG CHEONG	157,500	0.37
27	LIM YOK MOI	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	**33,214,536**	**78.77**

* *Excludes 2,621,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 31 March 2016.*

SHAREHOLDINGS *STATISTICS*

As at 31 March 2016

Cont'd

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2016

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
MIYES Holdings Sdn. Bhd. ("MIYES")	15,680,000	37.18	-	-
Umberston Holdings Sdn. Bhd. ("Umberston")	-	-	15,680,000(1)	37.18
San Yes Automotive Technology Co., Ltd	-	-	15,680,000(1)	37.18
Ng Kwee Eng	142,018	0.34	15,680,000(2)	37.18
Yap Siew Foong	1,263,730	3.00	15,680,000(2)	37.18
Mohd Riani Bin Osman	2,284,238	5.42	-	-

* *Excludes 2,621,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 31 March 2016.*

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

DIRECTORS' SHAREHOLDING AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2016

Name of Director	Direct Interest		Indirect Interest	
	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
Yap Siew Foong	1,263,730	3.00	15,680,000(1)	37.18
Ng Wai Kee	700,900	1.66	-	-
Foo Lee Khean	-	-	-	-
Wern-Li Morsingh	-	-	-	-
Oei Kok Eong	-	-	-	-

* *Excludes 2,621,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 31 March 2016.*

(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 2015 (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	19	3,867	2,274,000
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	24	10,310	5,340,792
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	17	2,140	3,269,316
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	5	3,344	3,031,340
Machinery & Industrial Supplies Sdn. Bhd.	No. 50 & 52, Jalan Brunei Utara, Kuala Lumpur.	December 3, 2015	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	36	1,197	210,232
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.	December 23, 2005	Two units of an intermediate and end lot of three storey shop house. The property is vacant.	Freehold	15	429	NIL
Grand Carpet Industries Sdn. Bhd.	Parcel No.A-42-09 (E), Berjaya Star City, Jalan Imbi, Section 52, 55100 Kuala Lumpur.	December 3, 2015	A 42nd Floor service suite within a high-rise commercial building housing retails and service apartment block. Rented.	Freehold	13	54	222,679
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	5	7,012	1,756,424

NOTICE OF *ANNUAL GENERAL MEETING*

NOTICE IS HEREBY GIVEN THAT the Seventeenth ("17th") 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, 27 May 2016 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 2015 together with the Directors' and Auditors' Reports thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To approve the payment of First and Final Single Tier Dividend of 2.5 sen per Ordinary Share of RM1.00 each for the financial year ended 31 December 2015. **Ordinary Resolution 1**

3. To approve the increase in Directors' Fees for the financial year ended 31 December 2015 and payment thereof. **Ordinary Resolution 2**

4. To re-elect Ms Wern Li Morsingh who is retiring under Article 103 of the Company's Articles of Association. **Ordinary Resolution 3**

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

   "That pursuant to Section 129(6) of the Companies Act, 1965, Madam Yap Siew Foong who is over seventy (70) years of age, be re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 4**

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 5**

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 and paid-up 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 6**

NOTICE OF *ANNUAL GENERAL MEETING*
Cont'd

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 2.4 of Part A of the Circular to Shareholders dated 29 April 2016 with the related parties mentioned therein which are necessary for the SMIS Group's day-to-day operations, subject further to the following:-

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

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

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

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

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 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 7**

9. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the Issued and Paid-Up Share Capital**

"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 2015 of RM28.7 million and RM4.9 million respectively to purchase such amount of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;

NOTICE OF *ANNUAL GENERAL MEETING*

Cont'd

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 Eighteenth ("18th") 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 18th 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 8**

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the 17th AGM 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 2015 will be paid to the shareholders of the Company on 24 June 2016. The entitlement date for the said dividend shall be 17 June 2016.

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 17 June 2016 in respect of ordinary transfers, and

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

BY ORDER OF THE BOARD
TAI YIT CHAN (MAICSA 7009143)
CHOONG LEE WAH (MAICSA 7019418)
Secretaries

Selangor Darul Ehsan
Date: 29 April 2016

NOTICE OF *ANNUAL GENERAL MEETING*

Cont'd

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 Act 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 19 May 2016 (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 Act does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.*

2. Ordinary Resolution No. 6 - Proposed Renewal of Authority under Section 132D of the Act for the Directors to allot and issue shares

The Company had, during its 16th AGM held on 22 June 2015, 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 6 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 and paid-up 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. 7 - Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Ordinary Resolution 7 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 MMLR of Bursa Securities 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.

Further information on the Proposed Shareholders' Mandate is set out in the Circular of the Proposed Shareholders' Mandate of the Company dated 29 April 2016 accompanying the Company's Annual Report 2015.

NOTICE OF *ANNUAL GENERAL MEETING*

Cont'd

4. Ordinary Resolution No. 8 - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the Issued and Paid-Up Share Capital

The proposed Ordinary Resolution 8, 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 18th 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 29 April 2016 accompanying the Company's Annual Report 2015.

Personal data privacy:

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

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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 Seventeenth Annual General Meeting of the Company to be held at Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 27 May 2016 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	Approval of the payment of First and Final Single Tier Dividend of 2.5 sen per Ordinary Share of RM1.00 each for the financial year ended 31 December 2015		
Ordinary Resolution 2	Approval of the increase in Directors' Fees for the financial year ended 31 December 2015 and payment thereof		
Ordinary Resolution 3	Re-election of Ms Wern Li Morsingh as Director (Article 103 of the Articles of Association of the Company)		
Ordinary Resolution 4	Re-appointment of Madam Yap Siew Foong as Director (Section 129(6) of the Companies Act, 1965)		
Ordinary Resolution 5	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
Ordinary Resolution 6	Proposed Renewal of Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		
Ordinary Resolution 7	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 8	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the Issued and Paid-Up Share Capital		

(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 2016

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(s)

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 19 May 2016 (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.*

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 April 2016.

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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55200 Kuala Lumpur, Malaysia.
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