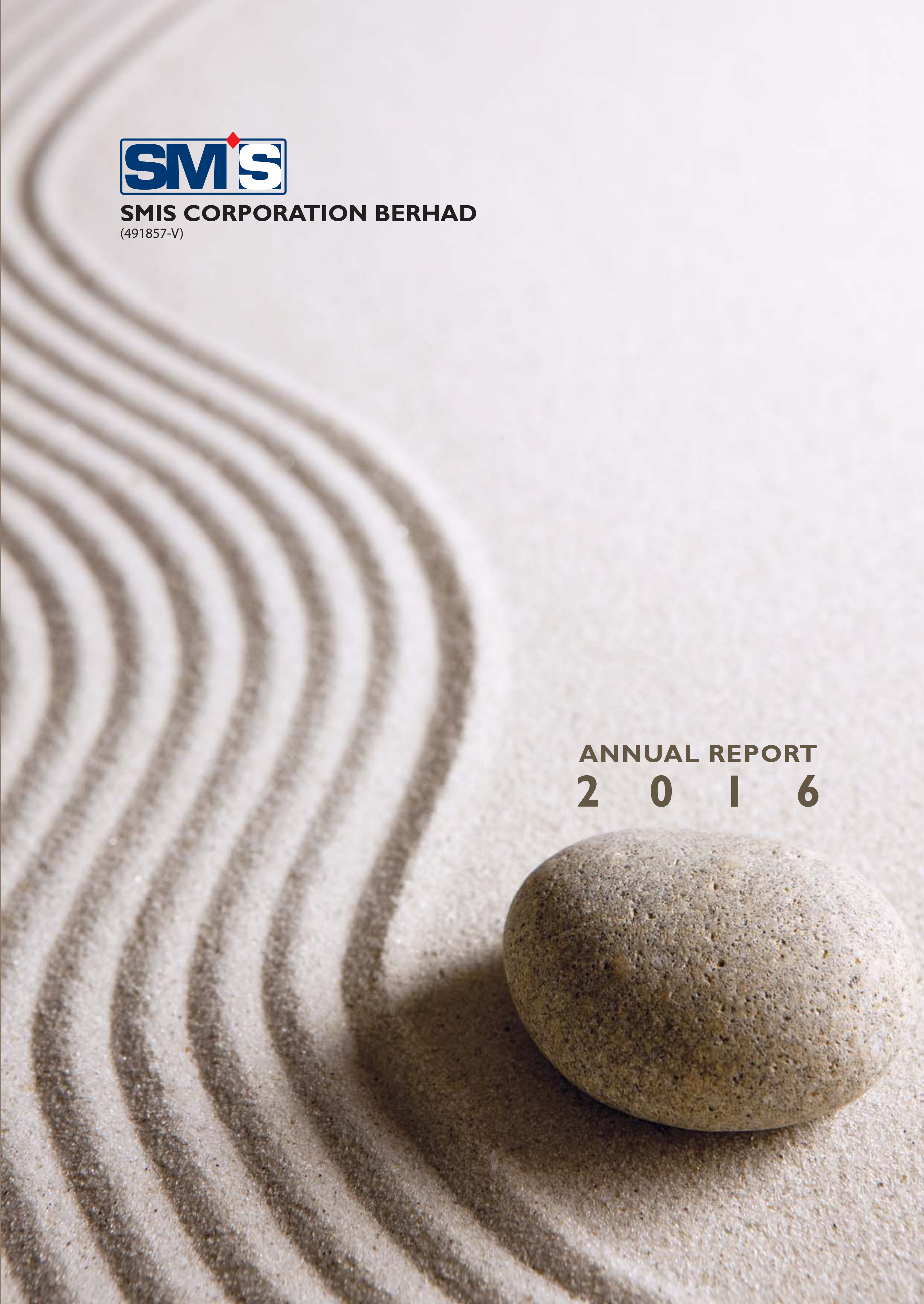


SMIS CORPORATION BERHAD

(491857-V)

ANNUAL REPORT 2016

Contents

GROUP *STRUCTURE*

- 100% SMIS GRAND VENTURES SDN. BHD. (formerly known as Ubud Leaders Sdn. Bhd.)
- 100% CENDANA EKSOTIK SDN. BHD.
- 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
- 96.67% EXSILIO PTE. LTD.
  - 99.87% PT ZUSMA PLASTICS
  - 99.86% PLASPOINT SDN. BHD.

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
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*

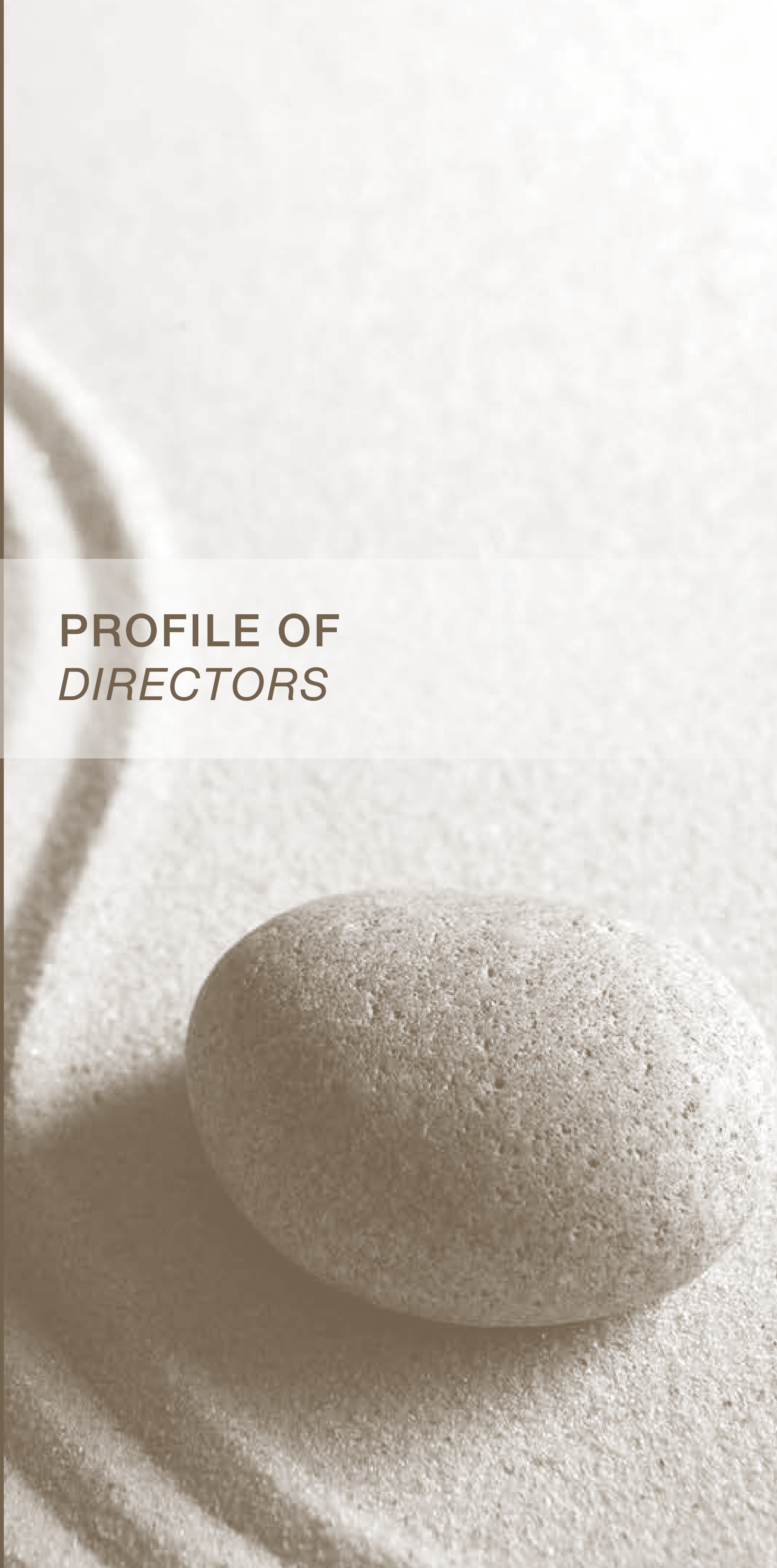
In thousands of RM	2012	2013	2014	2015	2016
Revenue	115,639	132,961	146,743	143,267	139,778
Profit before tax	3,365	8,014	5,765	2,597	(2,769)
Profit for the year	1,232	4,954	3,063	1,388	(2,980)
Profit attributable to owners	854	4,217	2,526	492	(3,160)
Total equity attributable to owners	72,798	76,374	77,955	77,520	73,295
Total assets	109,939	115,256	117,833	117,158	128,780
Total liabilities	(32,768)	(33,994)	(33,997)	(31,676)	(44,877)
Total borrowings	(7,591)	(7,725)	(6,790)	(6,049)	(17,712)

Growth rate over previous years	2012	2013	2014	2015	2016
Revenue	5.1%	15.0%	10.4%	(2.4%)	(2.4%)
Profit before tax	19.5%	138.2%	(28.1%)	(55.0%)	(206.6%)
Profit for the year	833.3%	302.1%	(38.2%)	(54.7%)	(314.7%)
Total equity attributable to owners	0.8%	4.9%	2.1%	(0.6%)	(5.5%)
Total assets	9.7%	4.8%	2.2%	(0.6%)	(9.9%)
Total liabilities	36.3%	3.7%	0.0%	(6.8%)	(41.7%)
Total borrowings	153.9%	1.8%	(12.1%)	(10.9%)	(192.8%)

Share information	2012	2013	2014	2015	2016
Basic earnings per share (sen)	2.02	9.99	5.99	1.17	(7.49)
Net assets per share (RM)	1.62	1.70	1.74	1.73	1.64

Financial ratio	2012	2013	2014	2015	2016
Return on equity attributable to owners	1.69%	6.49%	3.93%	1.79%	(4.07%)
Return on total assets	1.12%	4.30%	2.60%	1.18%	(2.31%)
Debt equity ratio	0.10	0.10	0.08	0.08	0.24

PROFILE OF *DIRECTORS*



PROFILE OF *DIRECTORS*
Cont'd

Ng Wai Kee
Chairman, Executive Director

Ng Wai Kee, aged 46, male, was appointed to the Board of Directors of SMIS Corporation Berhad ("SMIS" or "the Company") on 2 February 2002 as an Executive Director and assumed the position of the Chief Executive Officer ("CEO") on 22 February 2013. He was re-designated as Chairman and Executive Director on 21 November 2014. He 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 122 of the annual report, he does not have any other conflict of interest with the Company. His length of service in SMIS as at 25 April 2017 is fifteen (15) years.

He has attended all the five (5) board meetings held in the financial year ended 31 December 2016.

Yap Siew Foong
Executive Director

Yap Siew Foong, aged 73, female, was appointed to the Board of Directors of SMIS on 2 February 2002 as an Executive Director.

She is one of the co-founders of SMIS 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 122 of the annual report, she does not have any other conflict of interest with the Company. Her length of service in SMIS as at 25 April 2017 is fifteen (15) years.

She has attended all the five (5) board meetings held in the financial year ended 31 December 2016.

PROFILE OF *DIRECTORS*
Cont'd

Foo Lee Khean
Senior Independent Non-Executive Director

Foo Lee Khean, aged 54, male, 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 HSS Engineers Berhad, Kumpulan Jetson Berhad and Systech Bhd, as well as KIP REIT Management Sdn. Bhd., the manager of KIP Real Estate Investment Trust.

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. His length of service in SMIS as at 25 April 2017 is nine (9) years.

He has attended all five (5) board meetings held in the financial year ended 31 December 2016. He does not hold any shares in the Company.

Wern Li Morsingh
Independent Non-Executive Director

Wern Li Morsingh, aged 44, female, was appointed to the Board of Directors of SMIS on 28 November 2012 as an Independent Non-Executive Director. She also serves as the Chairperson of 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. Her length of service in SMIS as at 25 April 2017 is four (4) years.

She has attended all the five (5) board meetings held in the financial year ended 31 December 2016. 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 63, male, 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 – a division of Hirotako Berhad – in manufacturing seat belts, steering wheels and airbags systems.

In 2006, he was appointed as an Executive Director of APM Holdings Berhad, 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 in the General Technical Committee of Lloyds Register of Quality Assurance, Malaysia.

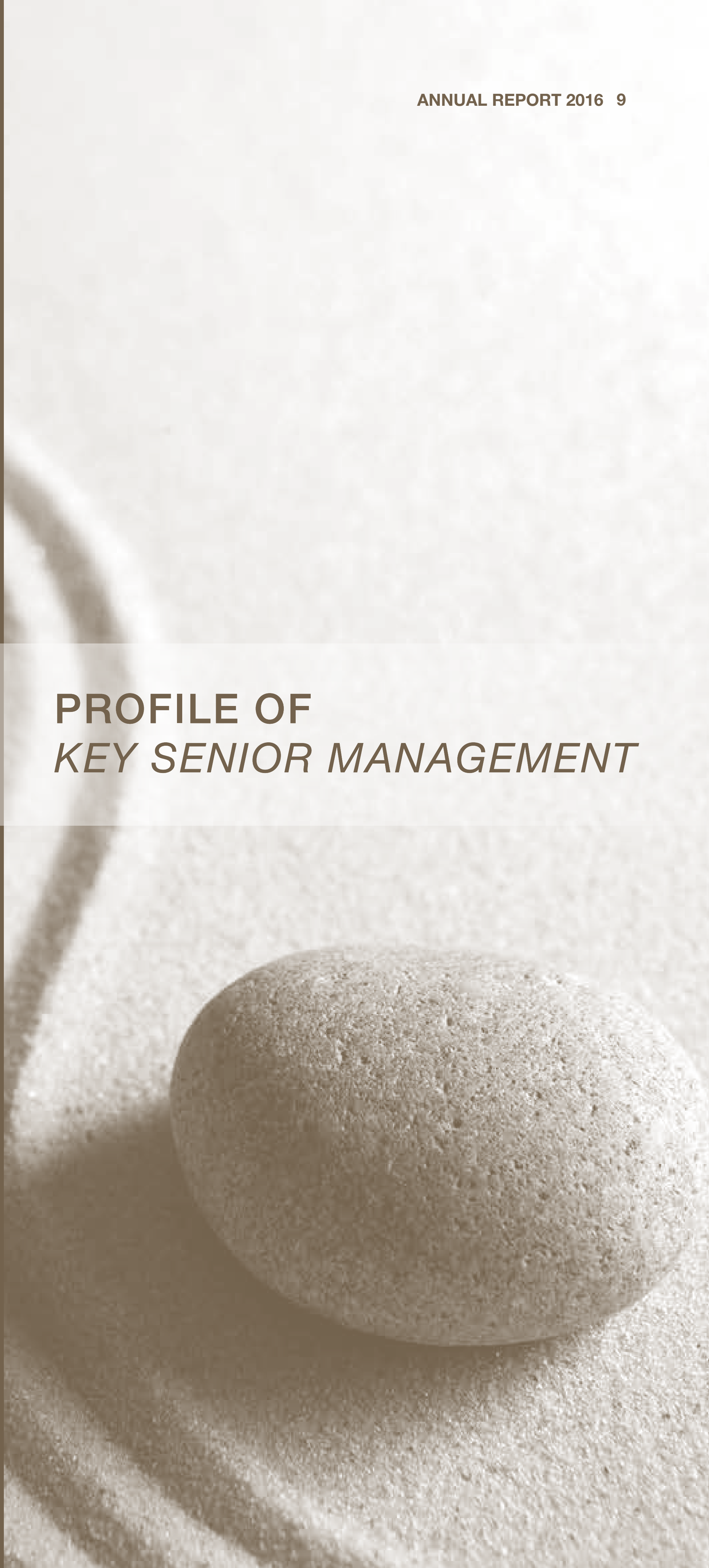
He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company. His length of service in SMIS as at 25 April 2017 is two (2) years.

He has attended all five (5) board meetings held in the financial year ended 31 December 2016. He does not hold any shares in the Company.

Notes to Directors' Profile:

1. *All of the Directors of SMIS are Malaysians.*
2. *Other than traffic offences, none of the Directors of SMIS has any conviction for offenses within the past five (5) years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

PROFILE OF *KEY SENIOR MANAGEMENT*



PROFILE OF *KEY SENIOR MANAGEMENT*
Cont'd

Robert Koong Yin Leong
Group Financial Controller

Robert Koong Yin Leong, aged 49, male, joined SMIS Group in 2006 as Group Financial Controller. He is an Associate Member of the Chartered Institute of Management Accountant, United Kingdom.

He began his career with Arthur Andersen, Malaysia in 1990 in the corporate recovery and corporate finance division prior to joining Electroscon Sdn. Bhd. as Group Finance Manager in 1994. He joined Tanco Resorts Berhad in 1999 as the Finance and Administration Manager. He was with Hicom-Teck See Sdn. Bhd. [posted to Hicom Automotive Plastics (Thailand) Ltd] from 2002 to 2005 as General Manager, Finance, before joining Nakamichi Corporation Berhad as Manager, Finance and Administration.

Presently he is also an Independent Non-Executive Director of Systech Bhd.

He has no family relationship with any director and/or major shareholders of the Company and does not have any conflict of interest with the Company. He does not hold any shares in the Company.

Soo Hak Min
Director, Manufacturing (Automotive Division)

Soo Hak Min, aged 52, male, joined SMIS Group in August 1999 and is currently a Director, managing the Automotive Division.

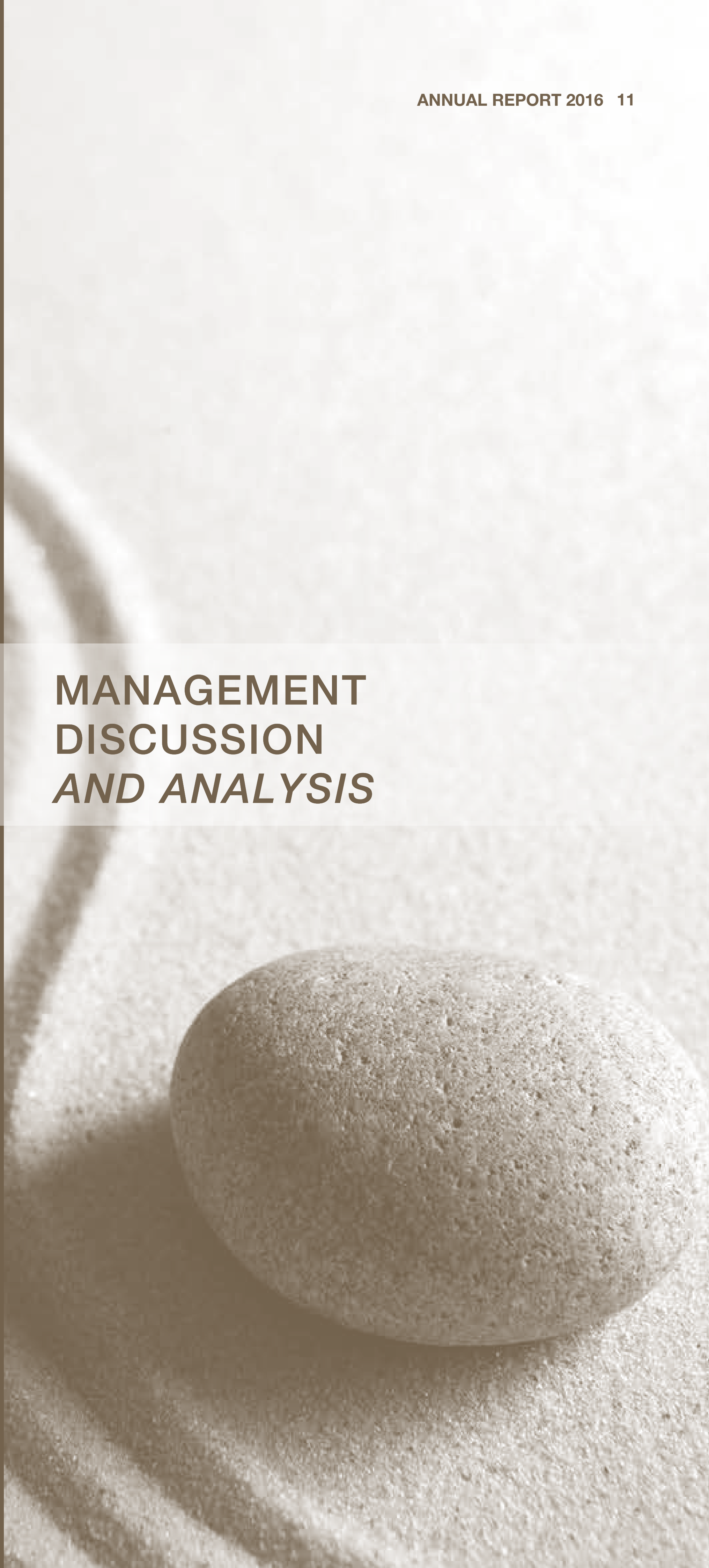
He holds a Higher Diploma (Distinction) in Material Engineering from Tunku Abdul Rahman College and a Degree in Mechanical Engineering through the Engineering Council, United Kingdom in 1990. Prior to this, he was attached to the Lion Group of Companies from 1990 to 1999 in various capacities from metallurgist to an alternate director in certain of Lion Group's subsidiaries. His last appointment with the Lion Group was as Factory Operations Manager for Bright Steel Services Centre Sdn. Bhd. and B.A.P. Industries Sdn. Bhd.

He also served as Exco Member of Kelab Vendor Perodua (KVP) for two terms (2013 to 2016). He is currently the auditor to KVP and was the auditor to Honda Supplier Club for the last two terms.

He has no family relationship with any director and/or major shareholders of the Company and does not have any conflict of interest with the Company. He holds 60,000 Ordinary Shares directly in the Company.

Notes to Key Senior Managements' Profile:

1. *All of the Key Senior Managements of SMIS are Malaysians.*
2. *Other than traffic offences, none of the Key Senior Managements of SMIS has any conviction for offenses within the past five (5) years, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*



MANAGEMENT DISCUSSION *AND ANALYSIS*

MANAGEMENT DISCUSSION *AND ANALYSIS*
Cont'd

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2016. This MD&A has been prepared as of 29 March 2017.

Calculations of EBITDA, adjusted net income and adjusted earnings per share contained herein are not measures of performance under the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. EBITDA as earnings before interest, taxes, depreciation and amortisation, adjusted net income and adjusted earnings per share are used by the management to facilitate performance and measurement comparisons from period-to-period. Whilst we believe some investors and analysts may use them as well, these measures as calculated may not be comparable to similar titled measures used by other companies.

Forward-looking statements and outlook express herein are subject to various risk and uncertainties, many of which are beyond our control and may cause actual results to differ materially from that disclosed or implied. These statements reflect the current views and expectations regarding future outlook and expectations as of the date of the MD&A. The reader is cautioned to consider these risk and uncertainties and not put undue reliance on forward looking statements and outlook.

We undertake no obligation to update or revise the information in this MD&A except as may be required by applicable laws and regulations.

OVERVIEW

We are mainly an automotive parts manufacturer/supplier with lesser portion of the Group's business generated from industrial spares trading and engineered polymers manufacturing.

Our products are supplied to Malaysia, Indonesia and Thailand. Whilst Malaysia has been our manufacturing base we have ventured into Indonesia with the establishment of a factory for the manufacturing of automotive carpets.

RESULTS AND TRENDS

Table A summarises the results for each business segment of the Group.

Table A		**(MYR'000)**	
Years ended 31st December	**2016**	**Change**	**2015**
Sales			
Automotive Carpets	84,722	12.8%	75,119
Braking Components	37,572	-20.4%	47,199
Industrial Spares	11,311	-6.1%	12,046
Plastics (Polymer)	6,173	-30.7%	8,903
Net profit/(loss) for the year, net off tax	(2,980)	-314.7%	1,388
Profit attributable to company	(3,160)	-742.3%	492
NCI	180		896
Earnings per share (MYR'sen)	(7.49)	-740.7%	1.17
EBITDA	5,701	-32.7%	8,474

2016 compared to 2015

Overall the Group performed worse in 2016 as compared to 2015. Whilst the Malaysian automotive total industry volumes fell, revenue derived by the Group from or related to the automotive industry remained relatively similar to that of the previous year. Unfortunately, with the devaluation of the Malaysian Ringgit against the US Dollar cost of imports were significantly higher. This had a direct impact on margins realisation.

Automotive carpets segment performed well with a MYR 9.6m (12.8%) increase in turnover over the previous year. However, these gains is not enough to off-set the reduction of MYR 9.6m (20.4%) experienced by the braking components segment.

Industrial spares segment remained largely unchanged from 2015 as most budget capital expenditure for the palm oil and waste water was not spent. The weakening of the Malaysian currency also meant that products and spares cost more in Ringgit terms making less attractive for end users to invest with the depressed palm oil sector and low CPO prices.

MANAGEMENT DISCUSSION *AND ANALYSIS*

Cont'd

The plastic segment recorded lower sales against 2016 as prices fell in line the drop in oil prices. However, the Company used this as an opportunity to diversify its product range moving away from the electronics sector and began supplying to the automotive sector.

Table B below includes adjustments that are non-operational and/or unusual in nature in comparison to historical levels, reconciling the net profit for the year to adjusted net profit for the year. Management believes such adjustments facilitate more meaningful period-to-period operating comparisons.

Table B **(MYR'000)**

Business segment	Automotive Carpets	Braking Components	Industrial Spares	Plastics (Polymer)	Others	Consolidated Results
Net profit for the year per above	1,694	(211)	(1,491)	(2,518)	(454)	(2,980)
Non-operating and/or unusual items, net of taxes						
Indonesia start up losses	2,173					2,173
Sendayan start up cost	2,318					2,318
Amortization of land use right				215		215
Impairment loss on trade receivable	105			54		159
Gain on disposal of property, plant and equipment			(53)			(53)
Reversal of impairment loss on other receivable			(35)			(35)
Inventories written down			142			142
Adjusted net profit for the year	6,290	(211)	(1,437)	(2,249)	(454)	1,939
Profit attributable to company	4,187	(211)	(1,437)	(2,359)	(454)	(274)
NCI	2,103	-	-	110	-	2,213
Adjusted earnings per share						(0.65)

Start-up losses from the Indonesian and Sendayan plant cost the Group MYR 4.5m for the year ended 31 December 2016. Apparently, as of the date of this MD&A both factories have commenced production.

SEGMENT STRATEGIES AND CHALLENGES

Automotive carpets

Strategy

Harnessing technical and strategic partnerships and alliances the Group's long term strategy is to provide quality products with superior performance to the market, thus; enhancing value to customer. The group has invested into two new factories, Sendayan in Malaysia and Cikarang in Indonesia. Our state of the art Sendayan plant will keep us abreast with the latest manufacturing capabilities and lower operational cost. Whereas the setup of Indonesia operation will ensure we are not being left out from the growth of the automotive sector in Indonesia while providing synergies to our Malaysia operation in bidding of new business for the common platform vehicles in ASEAN. Investment of capabilities in product design and acoustic technologies, in-house process improvements are also among the core initiatives to keep up with customers ever increasing requirements in terms of design, quality, cost and delivery.

Challenges

Low industry volumes, weak economic sentiments, volatility of the Malaysian Ringgit affecting cost of raw materials, attracting and retaining skilled workforce.

Braking Components

Strategy

Establish long term tie up with global braking system providers, strengthening our position as tier 2 manufacturer and exporter to that of a global tier 1 braking system provider, venturing into the increasing demand of braking components in the replacement markets within the region, diversifying into non-automotive products (e.g. oil & gas, aerospace and power infrastructure) using skills developed in the manufacturing of automotive precision safety products, are among the key strategies of the company for its continuous growth.

MANAGEMENT DISCUSSION *AND ANALYSIS*

Cont'd

Challenges

Securing a technical tie up with a Japanese based braking system manufacturer and weak Malaysian Ringgit reducing margins significantly as many parts used are imported.

Industrial Spares

Strategy

Build strategic alliances to generate more value adding proposition to improve customers' performance. To balance the practice of close collaboration with constant search for better products and niche markets to stay flexible, all the while maintaining our hold in existing markets. Innovative products and services offering would be a key factor.

Challenges

Competition from other distributors and manufacturers' increasingly selling directly into the market.

Plastics (Polymer)

Strategy

Market penetration and further localisation presence will be the key strategy for Plastics. The Company trust self-presence in strategic cities within targeted country will push even better business stability. Primary drive will be identifying, technical development and managing distributors. Having planned that, distribution network will always be the integral part of our supply chain. With the combined approach of local presence and distributors, the Company will see more strategic end user focus and drive total market accessibility.

Product line offerings will also be a key factor. This is imperative as part of higher value chain with reciprocating effect with the earlier mentioned strategy.

The initiatives will help achieve market breath and depth.

Challenges

Mixed market needs, poor recovery of the electronics sector, significant fluctuations of resin prices and currency volatility.

FORWARD LOOKING AND OUTLOOK

Automotive carpets

Whilst the volume of the automotive industry in Malaysia has been lower than expected, we do not expect it to further drop by any significant amounts and are confident in maintaining our current market share as the market leader in Malaysia. As more automotive manufacturers invest into Indonesia with strong growth projection of Indonesian automotive sector, we expect a steady growth in revenue for this segment.

Braking Components

With the penetration as brake components supplier into Honda Malaysia, and the commencement of supply of power infrastructure components to Indonesia market, the Group is expecting a steady recovery and improvement of its profitability.

Industrial spares

Recent reports indicated that the oil palm sector will pick up in output and demand. We are expecting the demand for equipment and services will follow suite especially from Indonesia which is now the larger market compare to Malaysia.

Plastics (Polymer)

With recent reports on some integrated circuits maker reporting higher sales, we are expecting end product will follow. This will present an opportunity to improve our electronics business segment. Indonesia automotive remained strong and will definitely benefit us. Prices of some polymers are picking up suggesting increased demand.

STATEMENT ON *CORPORATE GOVERNANCE*

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

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"), Second Edition of Corporate Governance Guide issued by Bursa Malaysia Berhad 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 2016. 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 operations 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

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. The Board Charter is available in the Company's website at www.smis.com.my.

To ensure the continuous relevance of the Board Charter, the Board conducts regular review of the Board Charter when necessary and the latest version was approved on 24 February 2015.

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

The Company has adopted the Code of Conduct for Directors, Management and Officers of the Group, to promote the corporate culture which engenders ethical conduct that permeates throughout the Company, to be in line with the MCCG 2012.

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

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

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 26 of this Annual Report.

Copy of the Sustainability Policy is available in the Company's website at www.smis.com.my.

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 is given in writing at least seven (7) days prior to the meeting. The agenda has included, amongst others, matters specifically reserved for the Board's decision.

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 the Capital Markets and Services Act 2007 and Companies Act 2016, 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 Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the deliberations, proceedings and resolutions passed are taken and maintained accordingly in the statutory register at the registered office of the Company. In certain instances, the Board may clarify Bursa Malaysia Listing Requirements with the Company Secretaries and they are actively involved to advise the Board, when appropriate.

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

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 6 to 8 of this Annual Report.

Where areas of conflict of interest arise, the Directors concerned will have to declare his/her interest and abstain from participating in the decision-making process.

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.

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

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:-

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

NC

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

Foo Lee Khean *Chairman (Senior Independent Non-Executive Director)*

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 2016, 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.

Pursuant to the Articles of Association of the Company, Mr Ng Wai Kee will retire at the Eighteenth ("18th") Annual General Meeting ("AGM") and be eligible for re-election.

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

At the Seventeenth AGM of the Company held on 27 May 2016, Madam Yap Siew Foong, who is above the age of 70, was re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the 18th AGM. Under the new Companies Act 2016 which came into force on 31 January 2017, there is no age limit for directors. Her term of office will end at the conclusion of the 18th AGM and she has offered herself for re-appointment.

The NC and the Board are satisfied that the Directors, who are required to stand for re-election and re-appointment at the 18th AGM, continue to demonstrate the necessary commitment to be fully effective members of the Board and Board Committees.

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.

A summary of key activities undertaken by the NC in the discharge of its duties for the financial year ended 31 December 2016 is set out below:-

a) Reviewed and assessed the mix of skills, expertise, composition, experience and size of the Board, contribution of each Director and effectiveness of the Board and Board Committees;
b) Reviewed and assessed the performance, and made recommendations to the Board for its approval, regarding the Directors who are seeking for re-appointment and re-election at the 18th AGM;
c) Assessed the overall Board and the Board Committees' performance and effectiveness as a whole;
d) Reviewed and assessed the independence of Independent Directors and their tenure of service;
e) Assessed Directors' training needs to ensure all Directors receive appropriate continuous training programmes; and
f) Reviewed and revised the Terms of Reference in the light of new amendments to the Bursa Malaysia Listing Requirements affecting the NC, for recommendation to the Board for its approval.

The NC, through the annual appraisal, was of the view that all the Directors and the Senior Management have the necessary character, experience, integrity, competence and sufficient time to discharge their respective roles effectively during the financial year ended 31 December 2016.

Directors' Training

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

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

The Directors are mindful that they should receive appropriate continuous training. Continuous training is vital for the Board members to gain insight into the state of technology development, current economic outlook, latest regulatory development and management strategies in relation to the Group's business.

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

Details of training attended by Directors during the financial year ended 31 December 2016 are as follows:

No	Name of Director	Programme	Date Attended
1	Ng Wai Kee	CIMB-Principal Breakfast Talk on Private Retirement Scheme	4 May 2016
		UOB Global Markets Corporate Seminar - Investment in Indonesia	14 November 2016
2	Yap Siew Foong	Briefing on Bank Negara New Ruling - Supplementary Notice on Foreign Exchange Administration Rules - Measures to Promote the Development of Malaysian Financial Market	13 December 2016
3	Foo Lee Khean	New Auditor's Report - Sharing the UK Experience	13 January 2016
		Improving Board Risk Oversight Effectiveness	26 February 2016
		Future of Auditor Reporting - The Game Changer for Boardroom	9 March 2016
		Ring the Bell for Gender Equality	11 March 2016
		Personal Data Protection Act and Directors' Duties & Responsibilities	30 March 2016
		Portfolio Management Designing an Equity Strategy	9 April 2016
		Anti-Corruption & Integrity - Foundation of Corporate Sustainability	8 December 2016
4	Wern Li Morsingh	Independent Directors Programme - The Essence of Independence	28 March 2016
		The Companies Bill 2015 Vis-à-vis Malaysian Companies Law (Part 1 & 2)	21 June & 26 July 2016
		Corporate Governance Education Program/Empowering Women Series	10 November 2016
5	Oei Kok Eong	The Interplay between CG, Non-Financial Information (NFI) and Investment Decision	9 May 2016
		Risk Management Programme for Audit and Risk Committee - I am Ready to Manage Risks!	5 September 2016

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.

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.

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

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 2016 are disclosed below:-

Aggregate remuneration:

	Company			Group		
Category of Remuneration	**Executive Directors**	**Non-Executive Directors**	**Total**	**Executive Directors**	**Non-Executive Directors**	**Total**
Basic Salary	-	-	-	792,675	-	792,675
Bonus	-	-	-	137,501	-	137,501
Fees	-	140,200	140,200	-	140,200	140,200
Attendance Fee	-	18,000	18,000	-	18,000	18,000
*Others	-	-	-	-	-	-
Total	**-**	**158,200**	**158,200**	**930,176**	**158,200**	**1,088,376**

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

Number of Directors whose remuneration falls into the following bands:

	Company		Group	
Category of Remuneration	**Executive Directors**	**Non-Executive Directors**	***Executive Directors**	**Non-Executive Directors**
RM150,000 and below	-	3	-	3
RM250,001 to RM300,000	-	-	1	-
RM650,001 to RM700,000	-	-	1	-
Total	**-**	**3**	**2**	**3**

* *Executive Directors received remuneration from subsidiaries but not from the Company.*

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.

STATEMENT ON *CORPORATE GOVERNANCE*

Cont'd

Principle 3 – Reinforce Independence of the Board

The Board recognise the importance of independence and objectivity in its decision making process in line with the recommendation under the MCCG 2012.

The Independent Directors play a pivotal role in corporate accountability and provide unbiased views and impartially to the Board's deliberations and decision-making process. In addition, the Non-Executive Directors ensure that matters and issues brought to the Board are given consideration, fully discussed and examined, taking into account the interest of all stakeholders in the Group.

Although the Chairman is not an Independent Non-Executive Director, he has vast knowledge and experience in the industry. The Board comprises a majority of independent directors, out of which there is a Senior Independent Director. The Board members who consist of persons of various professional skills and of various business and commercial experience, enables the Board to provide clear and effective leadership to the Group. The Board considers the number of board members adequate for its effectiveness and the Independent Non-Executive Directors fairly represent the interest of public shareholders. There is no individual Director or group of Directors who dominate the Board's decision making.

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 two (2) Independent Non-Executive Directors, namely Ms Wern Li Morsingh and Mr Oei Kok Eong, 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. The Independent Director, Mr Foo Lee Khean has served the Company as Independent Director for a cumulative term of nine (9) years. The Board has via the NC conducted an annual performance evaluation and assessment on the Independent Directors and is of the opinion that Mr Foo Lee Khean remains objective and independent in expressing his views. The Board will be seeking the shareholders' approval in the 18th AGM for Mr Foo Lee Khean to continue as Independent Director of the Company. The justifications for his continuation as Independent Director are disclosed in the Notice of the 18th AGM.

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.

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.

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

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 2016, 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*	5/5
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 28 to 30 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 36 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.

The ARC members reviewed the Company's quarterly and year-end financial statements of the Group before submission to the Board, focus in particularly on:-

- any changes in accounting policies and practices;
- significant audit issues and adjustments arising from audit;
- going concern assumption;
- compliance with the applicable approved accounting standards and regulatory requirements; and
- compliance with the Bursa Malaysia Listing Requirements and other legal requirements.

STATEMENT ON *CORPORATE GOVERNANCE*

Cont'd

The ARC carried out an annual assessment on the performance, suitability and independence of the External Auditors based on the following four (4) key areas and concluded that the External Auditors have discharged their duties effectively and independently:-

(a) quality of service;
(b) sufficiency of resources;
(c) communications and interaction; and
(d) independence, objectivity and professional skepticism.

The External Auditors has confirmed in writing that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants

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 at least two (2) times without the presence of the Executive Directors and Management during the financial year. The key activities covered by the internal audit function during the financial year under review is provided in the ARC Report of the Company as set out on pages 28 to 29 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 (www.smis.com.my) 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.

Effective 1st July 2016, Paragraph 8.29A of the Bursa Malaysia Listing Requirements provides that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, shall be voted by poll. Also, at least one (1) scrutineer will be appointed to validate the votes cast at the General Meeting who must not be an officer of the Company or its related corporation, and must be independent of the person undertaking the polling process.

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.

STATEMENT ON *CORPORATE GOVERNANCE*
Cont'd

OTHER INFORMATION

(a) Corporate Social Responsibility (CSR)

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

(b) 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) 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 2016.

(d) Recurrent Related Party Transactions

The details of the transactions with related parties undertaken by the Company during the financial year ended 31 December 2016 are disclosed in note 29 on pages 95 to 96 of the notes to the financial statements and in the Circular to Shareholders, dated 25 April 2017.

(e) Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to the External Auditors by the Company and the Group for the financial year ended 31 December 2016 are as follows:-

	Group ("RM")	Company ("RM")
Audit Fees	208,000	55,000
Non-Audit Fees	9,000	-
Total	**217,000**	**55,000**

(f) Utilisation of Proceeds

There were no proceeds raised from any proposal during the financial year ended 31 December 2016.

AUDIT AND RISK
COMMITTEE REPORT

AUDIT AND RISK *COMMITTEE REPORT*
Cont'd

The Board is pleased to present the Audit and Risk Committee ("ARC") Report for the financial year ended 31 December 2016 in accordance with Paragraph 15.15 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

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

Attendance at Meetings

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 2016 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 2016. 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.

The Group Financial Controller, representatives of the Internal Auditors and representatives of the External Auditors normally attend the meetings. Other members of the Board and the Senior Management may attend the meetings upon invitation.

The ARC is in compliance with Paragraphs 15.09 and 15.10 of the Bursa Malaysia Listing Requirements.

TERMS OF REFERENCE OF THE ARC

The information on the Terms of Reference of the ARC is available on the Company's website at www.smis.com.my.

SUMMARY OF WORKS OF THE ARC

In accordance with the Terms of Reference of the ARC, the ARC had discharged its functions and duties and undertaken the following works to meet its responsibilities during the financial year ended 31 December 2016:

1. **Financial Reporting**

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

    (b) Reviewed the annual audited financial statements of the Group with the External Auditors prior to tabling to the Board for their consideration and approval.

2. **External Audit**

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

AUDIT AND RISK *COMMITTEE REPORT*
Cont'd

(b) Reviewed the performance of External Auditors, their independence and objectivity and made recommendations to the Board on their re-appointment and remuneration.

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

(d) Received from the External Auditors their written assurance confirming their independence to the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

(e) Reviewed the Audit Review Memorandum of the External Auditors in relation to audit and accounting issues arising from the audit and the Management's response.

3. Internal Audit

(a) Reviewed the adequacy of scope, function, competency and resources of the Internal Audit function. Met with the Internal Auditors once without the presence of Executive Directors and Management.

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

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

(d) Reviewed the follow-up reports on status of the implementation of action plans by the Management in addressing the areas for improvements as reported from the previous audit reviews.

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

4. Related Party Transactions

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

(b) Reviewed the Circular to Shareholders relating to Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature prior to recommending it for Board's approval.

5. Ethical and Integrity Areas

The ARC did not receive any reports under the Whistle Blowing Policy which, the ARC would have taken very seriously in its implementation and protection of its confidentiality as set out in the aforesaid policy.

6. Corporate Governance

(a) Reviewed disclosure statements on the ARC Report, Statement on Risk Management and Internal Control, Statements of Corporate Governance and Directors' Responsibility Statement in respect of the Audited Financial Statements for the financial year ended 31 December 2016 and ensured that these reports were prepared in accordance with the applicable requirements for inclusion in the Annual Report 2016 prior to the recommendation to the Board for adoption.

(b) Reviewed the Circular to Shareholders relating to Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature and Statement to Shareholders in relation to the proposed share buy-back prior to recommending it for Board's approval.

(c) Received updates from the External Auditors on the new developments in disclosure requirements arising from the revised Auditors Reporting Standard and the amendments to Bursa Malaysia Listing Requirements affecting the contents of the ARC Report in the annual reports, particularly on enhancement of disclosure on non-financial information, key audit matters and going concern.

(d) Reviewed the Terms of Reference of the ARC pursuant to the latest amendments to the Bursa Malaysia Listing Requirements prior to the recommendation to the Board for adoption.

AUDIT AND RISK *COMMITTEE REPORT*

Cont'd

SUMMARY OF WORKS 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 Management's response and proposed action plans, to the ARC on a quarterly basis.

The works of the Internal Audit Function during the financial year ended 31 December 2016 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.

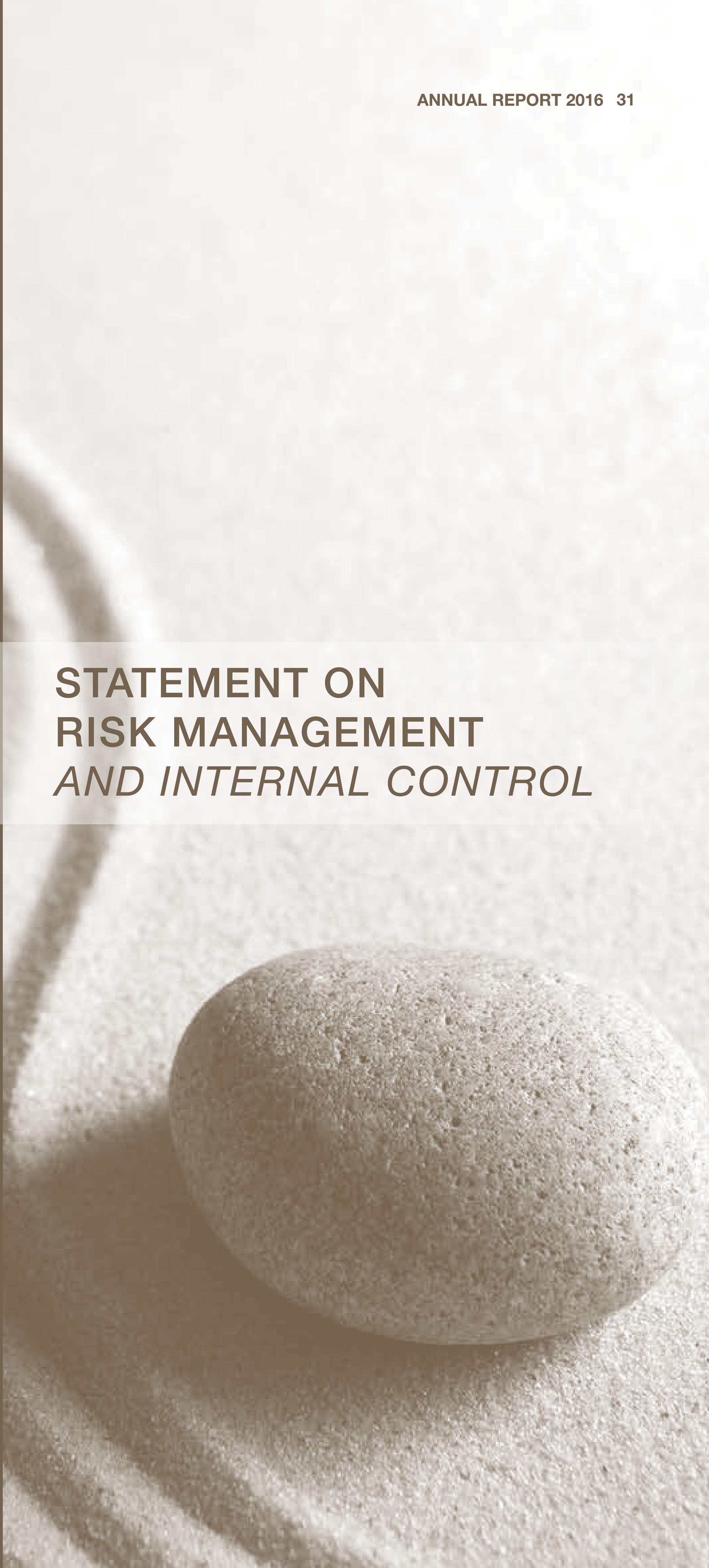
(c) Follow up reviews were carried out to ascertain the status of implementation of agreed management action plans. The results of follow up reviews were reported to the ARC.

(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 2016 was RM40,000 (2015 – RM60,000).

This report is made in accordance with the approval of the Board of Directors dated 29 March 2017.

STATEMENT ON RISK MANAGEMENT *AND INTERNAL CONTROL*



STATEMENT ON RISK MANAGEMENT *AND INTERNAL CONTROL*

Cont'd

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 2016. 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 2016, the Group conducted a risk assessment exercise and updated its Key Risk Profile which was reported to the ARC.

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

STATEMENT ON RISK MANAGEMENT *AND INTERNAL CONTROL*

Cont'd

2. **Internal Control System**

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

- An 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.
- 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 2016, 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.

STATEMENT ON RISK MANAGEMENT *AND INTERNAL CONTROL*

Cont'd

ASSURANCE FROM MANAGEMENT

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement of Risk Management and Internal Control for the inclusion in the Annual Report of the Company for the financial year ended 31 December 2016 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000, Assurance Engagement other than Audits or Reviews of Historical Financial Performance 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 that nothing has come to their attention that cause them to believe that the Statement of Risk Management and Internal Control intended to be included in the Annual Report of the Company is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

CONCLUSION

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

This statement is approved by the Board of Directors on 29 March 2017.

DIRECTORS'
RESPONSIBILITY STATEMENT

DIRECTORS' RESPONSIBILITY *STATEMENT*
Cont'd

The Directors are required by the Companies Act, 1965 ("the Act") to prepare the financial statements for the financial year ended 31 December 2016 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 of the Company as at 31 December 2016, and of the financial performance and cash flows of the Group and of the Company for the financial year ended 31 December 2016.

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 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are as stated in Note 9 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the financial year, net of tax	(2,980)	4,546
Attributable to:		
Owners of the Company	(3,160)	4,546
Non-controlling interests	180	-
	(2,980)	4,546

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 42,178,900 ordinary shares in respect of the financial year ended 31 December 2015, approved by the shareholders at the Annual General Meeting on 27 May 2016 and paid on 24 June 2016	1,055

The Directors do not recommend the payment of any dividends in respect of the financial year ended 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 financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad 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.

DIRECTORS' *REPORT*

Cont'd

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made prepared, 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 including 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 their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt 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 MATERIAL AND UNUSUAL NATURE

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

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

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS' *REPORT*

Cont'd

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 67A of the Companies Act, 1965 in Malaysia.

During the financial year, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of RM0.6409 per share. The total consideration paid was RM6,409/- excluding transaction costs of RM90/-. The shares repurchased were retained as treasury shares.

As at 31 December 2016, the Company held 2,631,100 treasury shares out of its 44,800,000 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM1,188,000/-. Further details are disclosed in Note 16 to the financial statements.

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 during the financial year and during the period from the end of the financial year to the date of the report are:

Ng Wai Kee
Yap Siew Foong
Foo Lee Khean
Wern Li Morsingh
Oei Kok Eong

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
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 its related corporations during the financial year.

DIRECTORS' *REPORT*
Cont'd

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or a full time employee of the Company as shown in Note 29 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during, nor at the end of the financial year was the Company 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.

DIRECTORS' REMUNERATION

	Group RM'000	Company RM'000
Directors' fees	140	140
Directors' other emoluments	2,567	18

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 9 to the financial statements.

The auditors' report of the subsidiaries did not contain any qualification.

AUDITORS' REMUNERATION

	Group RM'000	Company RM'000
Auditors' remuneration		
- Malaysia operations		
- current year	160	55
- prior year	(2)	-
- Overseas operations		
- current year	48	-
Non-statutory audit fees:		
- Malaysia operations	9	-

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events that occurred during the financial year are disclosed in Note 32 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 33 to the financial statements.

DIRECTORS' *REPORT*
Cont'd

AUDITORS

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

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………..
NG WAI KEE
Director

……………………………………………..
YAP SIEW FOONG
Director

Kuala Lumpur

Date: 29 March 2017

STATEMENTS OF *FINANCIAL POSITION*
As at 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	49,333	32,928	-	-
Land use rights	6	1,621	1,756		
Investment properties	7	411	433	-	-
Intangible assets	8	-	-	-	-
Investment in subsidiaries	9	-	-	62,072	58,358
Deferred tax assets	10	680	1,235	-	-
Total non-current assets		**52,045**	**36,352**	**62,072**	**58,358**
Current assets					
Inventories	11	19,133	18,055	-	-
Tax recoverable		4,962	2,705	-	-
Trade and other receivables	12	32,620	31,113	3,502	2,211
Prepayments		1,136	2,545	-	-
Short term investments	13	4,344	7,991	1,254	2,999
Cash and short term deposits	14	14,540	18,397	87	20
Total current assets		**76,735**	**80,806**	**4,843**	**5,230**
TOTAL ASSETS		**128,780**	**117,158**	**66,915**	**63,588**
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	15	44,800	44,800	44,800	44,800
Treasury shares	16	(1,188)	(1,182)	(1,188)	(1,182)
Reserves	17	29,683	33,902	22,993	19,502
		73,295	77,520	66,605	63,120
Non-controlling interests		10,608	7,962	-	-
TOTAL EQUITY		**83,903**	**85,482**	**66,605**	**63,120**

STATEMENTS OF *FINANCIAL POSITION*

As at 31 December 2016

Cont'd

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Loans and borrowings	**18**	12,123	1,960	-	-
Other financial liability	**19**	-	23	-	-
Deferred tax liabilities	**10**	198	814	-	-
Total non-current liabilities		**12,321**	**2,797**	**-**	**-**
Current liabilities					
Loans and borrowings	**18**	5,589	4,089	-	-
Provision for warranty	**20**	-	-	-	-
Trade and other payables	**21**	26,947	24,741	310	468
Tax payables		20	49	-	-
Total current liabilities		**32,556**	**28,879**	**310**	**468**
TOTAL LIABILITIES		**44,877**	**31,676**	**310**	**468**
TOTAL EQUITY AND LIABILITIES		**128,780**	**117,158**	**66,915**	**63,588**

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

STATEMENTS OF *COMPREHENSIVE INCOME*

For the Financial Year ended 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	22	139,778	143,267	5,000	7,000
Cost of sales		(120,852)	(121,414)	-	-
Gross profit		**18,926**	**21,853**	**5,000**	**7,000**
Other operating income		978	2,095	33	37
Administrative and distribution expenses		(20,444)	(18,508)	(544)	(2,806)
Other operating expenses		(1,674)	(2,484)	-	-
Operating (loss)/profit	23	**(2,214)**	**2,956**	**4,489**	**4,231**
Finance income		203	156	-	-
Finance costs	24	(758)	(515)	-	-
(Loss)/Profit before tax		**(2,769)**	**2,597**	**4,489**	**4,231**
Taxation	25	(211)	(1,209)	57	-
(Loss)/Profit for the financial year		**(2,980)**	**1,388**	**4,546**	**4,231**
Other comprehensive income/(expense) for the financial year, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of other financial liability		23	22	-	-
Items that are or may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(36)	73	-	-
Other comprehensive (expense)/income for the financial year		**(2,993)**	**1,483**	**4,546**	**4,231**

STATEMENTS OF *COMPREHENSIVE INCOME*

For the Financial Year ended 31 December 2016

Cont'd

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to:					
Owners of the Company		(3,160)	492	4,546	4,231
Non-controlling interests		180	896	-	-
		(2,980)	**1,388**	**4,546**	**4,231**
Total comprehensive (expense)/ income attributable to:					
Owners of the Company		(3,164)	625	4,546	4,231
Non-controlling interests		171	858	-	-
		(2,993)	**1,483**	**4,546**	**4,231**
Earnings per ordinary share (sen):					
- basic	**26**	**(7.49)**	**1.17**		
- diluted	**26**	**(7.49)**	**1.17**		

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

CONSOLIDATED STATEMENT OF *CHANGES IN EQUITY*

For the Financial Year ended 31 December 2016

	Attributable to the Owners of the Company							
					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 2016	44,800	(1,182)	4,891	352	28,659	77,520	7,962	85,482
Remeasurement of other financial liability	-	-	-	-	23	23	-	23
Foreign currency translation reserve	-	-	-	(27)	-	(27)	(9)	(36)
Total other comprehensive (expenses)/ income for the financial year	-	-	-	(27)	23	(4)	(9)	(13)
Loss net of tax for the year	-	-	-	-	(3,160)	(3,160)	180	(2,980)
Total comprehensive (expense)/ income for the financial year	-	-	-	(27)	(3,137)	(3,164)	171	(2,993)
Contibutions by and distribution to owners of the Company								
- Purchase of own shares	-	(6)	-	-	-	(6)	-	(6)
- Subscription of additional shares in a subsidiary	-	-	-	-	-	-	2,475	2,475
- Dividends to owners of the Company (Note 27)	-	-	-	-	(1,055)	(1,055)	-	(1,055)
Total transaction with owners of the Company	-	(6)	-	-	(1,055)	(1,061)	2,475	1,414
At 31 December 2016	44,800	(1,188)	4,891	325	24,467	73,295	10,608	83,903

CONSOLIDATED STATEMENT OF *CHANGES IN EQUITY*

For the Financial Year ended 31 December 2016

Cont'd

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
	← *Attributable to the Owners of the Company*				*Distributable*	→		
At 1 January 2015	44,800	(1,177)	4,891	241	29,200	77,955	5,881	83,836
Remeasurement of other financial liability	-	-	-	-	22	22	-	22
Foreign currency translation reserve	-	-	-	111	-	111	(38)	73
Total other comprehensive income/ (expense) 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 27)	-	-	-	-	(1,055)	(1,055)		(1,055)
- Non-controlling interests arising from acqusition of a new 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

STATEMENT OF *CHANGES IN EQUITY*

For the Financial Year ended 31 December 2016

Company	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	*Distributable* Retained earnings RM'000	Total RM'000
At 1 January 2015	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 27)	-	-	-	(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
Profit and total comprehensive income for the year	-	-	-	4,546	4,546
Contributions by and distributions to owners of the Company					
- Purchase of treasury shares	-	(6)	-	-	(6)
- Dividends to owners of the Company (Note 27)	-	-	-	(1,055)	(1,055)
Total transactions with owners of the Company	-	(6)	-	(1,055)	(1,061)
At 31 December 2016	44,800	(1,188)	4,891	18,102	66,605

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

STATEMENTS OF *CASH FLOWS*

For the Financial Year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
(Loss)/Profit before taxation	(2,769)	2,597	4,489	4,231
Adjustments for:				
Amortisation of land use rights	215	-	-	-
Depreciation of:				
- investment properties	22	22	-	-
- property, plant and equipment	7,550	5,427	-	-
Dividend income from subsidiaries	-	-	(5,000)	(7,000)
Finance income	(203)	(156)	-	-
Finance costs	683	428	-	-
Gain on disposal of property, plant and equipment	(53)	(8)	-	-
Property, plant and equipment written off	199	-	-	-
Impairment loss on:				
- trade receivables	159	25	-	-
- other receivables	-	24	-	-
- amount owing from subsidiaries	-	-	-	2,318
- intangible assets	-	710	-	-
Income from short term investments	(127)	(94)	(30)	(37)
Inventories written down	142	388	-	-
Net fair value (gain)/loss on short term investments	-	(11)	-	37
Reversal of inventories written down	-	(20)	-	-
Reversal of impairment loss on other receivables	(35)	-	-	-
Reversal of provision on warranty	-	(288)	-	-
Unrealised foreign exchange gain	(254)	(1,444)	-	-
Unrealised foreign exchange loss	197	731	-	-
Operating profit/(loss) before working capital changes, carried forward	**5,726**	**8,331**	**(541)**	**(451)**

STATEMENTS OF *CASH FLOWS*

For the Financial Year ended 31 December 2016

Cont'd

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES: *Cont'd*				
Operating profit/(loss) before working capital changes, brought forward	5,726	8,331	(541)	(451)
Changes in Working Capital:				
Inventories	(1,220)	(2,264)	-	-
Receivables	(222)	11,382	(1,291)	(924)
Payables	2,206	(976)	(158)	126
Cash flows from/(used in) operating activities	6,490	16,473	(1,990)	(1,249)
Interest paid	(317)	(322)	-	-
Tax refund	293	609	57	-
Tax paid	(2,851)	(3,470)	-	-
Net cash flows generated from/(used in) operating activities	3,615	13,290	(1,933)	(1,249)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of property, plant and equipment	(24,149)	(6,682)	-	-
Investment in a subsidiary	-	-	(3,714)	(1,731)
Dividend income	-	-	5,000	7,000
Income received from short term investments	127	94	30	37
Interest received	203	156	-	-
Proceeds from disposal of property, plant and equipment	101	8	-	-
Disposal/(Purchase) of short-term investments	3,647	(5,115)	1,745	(3,036)
Net cash flows (used in)/generated from investing activities	(20,071)	(11,539)	3,061	2,270

STATEMENTS OF *CASH FLOWS*

For the Financial Year ended 31 December 2016

Cont'd

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:					
Acquisition of non-controlling interests		-	1,223	-	-
Net proceeds from issuance of shares to non-controlling interests		2,475	-	-	-
Dividends paid		(1,055)	(1,055)	(1,055)	(1,055)
Interest paid		(366)	(106)	-	-
Purchase of treasury shares		(6)	(5)	(6)	(5)
Net drawdown/(repayment) of other borrowings		87	(464)	-	-
Net drawdown/(repayment) of term loans		11,536	(132)	-	-
Net cash flow generated from/(used) in financing activities		12,671	(539)	(1,061)	(1,060)
TRANSLATION DIFFERENCES		(169)	(250)	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		(3,954)	962	67	(39)
EFFECT OF EXCHANGE RATE CHANGES		57	192	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		15,818	14,664	20	59
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		11,921	15,818	87	20
ANALYSIS OF CASH AND CASH EQUIVALENTS:					
Deposits placed with licensed banks	14	1,205	1,186	-	-
Cash and bank balances	14	13,335	17,211	87	20
Bank overdraft	18	(2,619)	(2,579)	-	-
		11,921	15,818	87	20

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 9 to the financial statements. There have been no significant changes 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 29 March 2017.

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 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

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

NOTES TO THE *FINANCIAL STATEMENTS*

Cont'd

2. BASIS OF PREPARATION *Cont'd*

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/Deferred
MFRS 140	Investment Property	1 January 2018
<u>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

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

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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

2. BASIS OF PREPARATION *Cont'd*

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective *Cont'd*

MFRS 9 Financial Instruments *Cont'd*

Key requirements of MFRS 9: *Cont'd*

- 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 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.

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

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

2. BASIS OF PREPARATION *Cont'd*

2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective *Cont'd*

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and 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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

2. BASIS OF PREPARATION *Cont'd*

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.

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.

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*

After initial recognition, goodwill in measured at loss 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.

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.

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.

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. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

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.

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

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

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

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

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

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

3.4 Financial instruments

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

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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.4 Financial instruments *Cont'd*

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

(a) 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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

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*

Available-for-sale financial assets *Cont'd*

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.

(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 item 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.

(c) Depreciation

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

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.5 Property, plant and equipment *Cont'd*

(c) Depreciation *Cont'd*

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 Land use rights

Land purchased in Indonesia classified as land use rights is initially measured at cost. Following initial recognition, land use rights is measured at costs less accumulated amortisation and any accumulated impairment losses. The land use rights are amortised over its lease term of 42 years.

3.7 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*

3.7 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.

3.8 Investment properties

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

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 3.11(b).

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

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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

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) 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.

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.

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*

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.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For 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.

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.

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*

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 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.

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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

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 from subsidiaries

Dividend income from subsidiaries 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.

(v) Income from short term investments

Income from short term investments is recognised in profit or loss on the date that the Group's and the Company's right to receive payment is established.

3.16 Borrowing costs

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

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

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, 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 3.8 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.

NOTES TO THE *FINANCIAL STATEMENTS*

Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.18 Earnings per ordinary share

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

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

3.19 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the management of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.20 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 Goods and Service Tax

Revenue, expenses and assets are recognised net of the amount of goods and service tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *Cont'd*

3.22 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.

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) 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.

(b) 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 judgement is required over the recognition of deferred tax assets because the realisation of these deferred tax assets is often dependent on a number of factors including whether there will be sufficient taxable profits in future periods to support the recognition.

The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 10 to the financial statements.

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

The Group 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 review of saleability and valuation of these inventories at lower of cost and net realisable value by the Directors are major source of estimation uncertainty.

The carrying amounts of the Group's inventories are disclosed in Note 11 to the financial statements.

NOTES TO THE *FINANCIAL STATEMENTS*

Cont'd

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

(d) 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 25 to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Land	Buildings	Plant and machineries	Office equipment, furniture and fittings and renovations	Motor vehicles	Moulds and jigs	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
At 1 January 2015	5,694	14,568	45,029	14,630	2,081	9,784	424	92,210
Additions	-	-	2,450	1,036	207	202	2,787	6,682
Disposals/Written off	-	-	(188)	(19)	(53)	-	-	(260)
Reclassification	-	-	-	424	-	-	(424)	-
At 31 December 2015	5,694	14,568	47,291	16,071	2,235	9,986	2,787	98,632
Additions	3,491	3,867	12,074	1,003	140	462	3,112	24,149
Disposals/Written off	-	-	(9)	(250)	(548)	-	-	(807)
Reclassification	-	-	846	-	-	1,710	(2,556)	-
Exchange differences	-	-	31	31	10	2	-	74
At 31 December 2016	9,185	18,435	60,233	16,855	1,837	12,160	3,343	122,048

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

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

Group	Land	Buildings	Plant and machineries	Office equipment, furniture and fittings and renovations	Motor vehicles	Moulds and jigs	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation and impairment loss								
At 1 January 2015								
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/Written 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
Depreciation for the financial year	36	366	3,708	1,692	248	1,500	-	7,550
Disposals/Written off	-	-	(9)	(3)	(548)	-	-	(560)
Exchange differences	-	-	11	5	4	1	-	21
At 31 December 2016								
Accumulated depreciation	852	5,888	39,098	13,027	1,393	9,981	-	70,239
Accumulated impairment loss	-	-	2,244	208	-	24	-	2,476
	852	5,888	41,342	13,235	1,393	10,005	-	72,715
Carrying amounts								
At 31 December 2015	4,878	9,046	9,659	4,530	546	1,482	2,787	32,928
At 31 December 2016	8,333	12,547	18,891	3,620	444	2,155	3,343	49,333

NOTES TO THE *FINANCIAL STATEMENTS*

Cont'd

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

Company	Office equipment RM'000
Cost	
At 1 January 2015/31 December 2016	9
Accumulated depreciation	
At 1 January 2015/31 December 2016	9
Carrying amounts	
At 31 December 2015	-
At 31 December 2016	-

5.1 Assets pledged as security

The following freehold land and buildings have been pledged as security to secure term loans of the Group:

(i) A freehold land and building of the Group with carrying amounts of RM3,214,000/- (2015: RM3,270,000/-) has been pledged to a licensed bank as security for banking facilities granted to a subsidiary. As at 31 December 2016, the subsidiary has not utilised the banking facilities.

(ii) Freehold land and buildings of the Group with carrying amounts of RM10,274,000/- (2015: RM3,063,000/-) have been pledged to a licensed bank as security for term loans granted to subsidiaries as disclosed in Note 18 to the financial statements.

5.2 Land

Included in the carrying amounts of land are:

	Group	
	2016 RM'000	2015 RM'000
Freehold land	6,618	3,127
Leasehold land with unexpired lease period of:		
- more than 50 years	1,123	1,139
- less than 50 years	592	612
	8,333	**4,878**

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

6. LAND USE RIGHTS

	Group	
	2016	**2015**
	RM'000	**RM'000**
Cost		
At 1 January	1,756	1,430
Exchange differences	80	326
At 31 December	1,836	1,756
Accumulated amortisation		
At 1 January	-	-
Amortisation for the financial year	215	-
At 31 December	215	-
Carrying amount		
At 31 December	**1,621**	**1,756**

The Group has land use rights over lands located in the Republic of Indonesia with remaining tenure of 42 years.

7. INVESTMENT PROPERTIES

	Buildings	
	2016	**2015**
Group	**RM'000**	**RM'000**
Cost		
At 1 January/31 December	1,949	1,949
Accumulated depreciation and impairment loss		
At 1 January		
Accumulated depreciation	820	798
Accumulated impairment loss	696	696
	1,516	1,494
Depreciation for the financial year	22	22
At 31 December		
Accumulated depreciation	842	820
Accumulated impairment loss	696	696
	1,538	1,516
Carrying amount		
At 31 December	**411**	**433**

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.

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

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

	Group	
	2016	2015
	RM'000	RM'000
Rental income	188	191
Direct operating expenses:		
- income generating investment properties	(32)	(29)

Fair value information

Fair value of investment properties are categorised as follows:

		Group	
	Level 2	Level 3	Total
	RM'000	RM'000	RM'000
2016			
Buildings	-	7,437	7,437
2015			
Buildings	-	6,890	6,890

Level 3 fair value

The fair value on the investment properties is determined based on sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in sales comparison approach is price per square foot of comparable properties of which the higher the price per square feet, the higher the fair value of the investment properties.

Valuation processes applied by the Group

The fair value on the investment properties are determined based on information available through internal research and Directors' best estimates.

Highest and best use

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*
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8. INTANGIBLE ASSETS

	Group Goodwill	
	2016 RM'000	2015 RM'000
Cost		
At 1 January/31 December	1,322	1,322
Accumulated impairment		
At 1 January	1,322	612
Impairment loss for the financial year	-	710
At 31 December	1,322	1,322
Carrying amount	**-**	**-**

Impairment of goodwill

The carrying amount of goodwill was allocated to the machinery parts division in the previous financial year.

9. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Cost		
At 1 January	70,614	68,883
Addition	3,714	1,731
Liquidated	(3,975)	-
At 31 December	70,353	70,614
Accumulated impairment		
At 1 January	12,256	12,256
Liquidated	(3,975)	-
At 31 December	8,281	12,256
Carrying amount		
At 31 December	**62,072**	**58,358**

NOTES TO THE *FINANCIAL STATEMENTS*

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9. INVESTMENT IN SUBSIDIARIES *Cont'd*

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective ownership interest 2016 %	Effective ownership interest 2015 %	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. (formerly known as Ubud Leaders Sdn. Bhd.)	Malaysia	60	60	Manufacturing and trading of carpet of all descriptions
SMIS Grand Ventures Sdn. Bhd.	Malaysia	100	-	Investment holding, inactive
Cendana Eksotik Sdn. Bhd.	Malaysia	100	-	Investment holding, inactive
Exsilio Pte. Ltd. #	Singapore	96.67	96.67	Investment holding
Hawlford Holding Pte. Ltd. #	Singapore	100	-	Investment holding, inactive
PT Grand Surya Techno #	Indonesia	60	60	Manufacturing and selling of automotive floor carpet assy, trunk trims and luggage mats
Cleon Technology Sdn. Bhd. *	Malaysia	-	-	Dissolved on 9 December 2016
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	96.54	Dormant

Audited by other member firms of Baker Tilly International.

* *In previous financial years, the subsidiary has been placed under members' voluntary liquidation ("the Liquidation") pursuant Companies Act, 1965 in Malaysia and was derecognised from consolidation of the Group. On 9 December 2016, the Liquidation process had completed and the subsidiary was dissolved.*

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

(a) Acquisition of subsidiaries

During the financial year, the following were completed:

(a) On 14 March 2016, Sugihara Grand Industries Sdn. Bhd. ("Sugihara") increased its ordinary share capital from RM4,311,340/- to RM10,500,000/- by the allotment of 6,188,660 ordinary shares of RM1/- each. The Company then acquired 3,713,196 ordinary shares of RM1/- each of Sugihara for a total cash consideration of RM3,713,196/-, maintaining 60% equity interest in Sugihara.

(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/-.

(c) On 23 September 2016, the Company acquired 2 ordinary shares of RM1/- each of SMIS Grand Ventures Sdn. Bhd. ("SGV") (previously known as Ubud Leaders Sdn. Bhd.) and Cendana Eksotik Sdn. Bhd. ("Cendana") respectively which represents 100% of equity interest in SGV and Cendana for a total cash consideration of RM2/- each.

(b) Non-controlling interests in subsidiaries

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

Equity interests held by non-controlling interests:

Name of company	Principal place of business/ country of incorporation	2016 (%)	2015 (%)
Sugihara Grand Industries Sdn. Bhd.	Malaysia	40%	40%
PT Grand Surya Techno	Indonesia	40%	40%

Carrying amount of material non-controlling interests:

Name of company	2016 RM'000	2015 RM'000
Sugihara Grand Industries Sdn. Bhd.	10,727	7,195
PT Grand Surya Techno	(71)	727
Others	(48)	40
	10,608	7,962

Profit or loss allocated to material non-controlling interests:

Name of company	2016 RM'000	2015 RM'000
Sugihara Grand Industries Sdn. Bhd.	1,056	1,371
PT Grand Surya Techno	(799)	(454)
Others	(86)	(59)
	171	858

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

9. 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 2016		
Non-current assets	28,028	3,554
Current assets	26,648	2,135
Non-current liabilities	(10,307)	-
Current liabilities	(17,552)	(5,866)
Net assets	26,817	(177)
Summarised statements of comprehensive income		
Financial year ended 31 December 2016		
Revenue	80,763	1,107
Profit/(Loss) for the financial year	2,640	(1,974)
Total comprehensive income/(expense)	2,640	(1,997)
Summarised cash flows information		
Financial year ended 31 December 2016		
Cash flows from operating activities	807	2,620
Cash flows used in investing activities	(20,888)	(2,816)
Cash flows from financing activities	17,861	-
Net decrease in cash and cash equivalents	(2,220)	(196)
Dividends paid to NCI	-	-

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

9. 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: *Cont'd*

	Sugihara Grand Industries Sdn. Bhd. RM'000	PT Grand Surya Techno RM'000
Summarised statement 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 statement of comprehensive income		
Financial year ended 31 December 2015		
Revenue	73,923	27
Profit/(Loss) for the financial 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	-	-

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

10. 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	
	2016	2015
	RM'000	RM'000
Deferred tax assets, net	680	1,235
Deferred tax liabilities, net	(198)	(814)
	482	421

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

	Group	
	2016	2015
	RM'000	RM'000
At 1 January	421	904
Recognised in profit or loss (Note 25)		
- temporary differences between net carrying amounts and the corresponding tax written down values of assets	(226)	34
- unutilised capital allowance	166	(242)
- other deductible differences	121	(275)
	61	(483)
At 31 December	482	421

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

	Group	
	2016	2015
	RM'000	RM'000
Deferred tax assets		
Deferred tax assets (before offsetting)		
- unutilised capital allowance	470	304
- other deductible differences	1,900	1,999
	2,370	2,303
Offsetting	(1,690)	(1,068)
Deferred tax assets (after offsetting)	680	1,235

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

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

The deferred tax assets and liabilities are made up of temporary differences arising from: *Cont'd*

	Group	
	2016 RM'000	2015 RM'000
Deferred tax liabilities		
Deferred tax liabilities (before offsetting)		
- temporary differences between net carrying amounts and the corresponding tax written down values of assets	(1,888)	(1,662)
- other items	-	(220)
	(1,888)	(1,882)
Offsetting	1,690	1,068
Deferred tax liabilities (after offsetting)	(198)	(814)

The estimated amount of deferred tax assets calculated at the applicable tax rate, which is not recognised in the financial statements due to uncertainty of its realisation is as follows:

	Group	
	2016 RM'000	2015 RM'000
Unused tax losses	4,851	4,851
Unabsorbed capital allowances	990	668
Other deductibles differences	5,129	-
	10,970	5,519
Potential deferred tax assets not recognised at 24% (2015: 24%)	2,633	1,325

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

11. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
At lower of cost and net realisable value		
Raw materials	11,260	9,448
Work-in-progress	1,248	1,088
Manufactured goods	2,105	2,653
Trading goods	3,690	4,006
Consumables	830	860
	19,133	**18,055**

NOTES TO THE *FINANCIAL STATEMENTS*
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11. INVENTORIES *Cont'd*

	Group 2016 RM'000	Group 2015 RM'000
Recognised in profit or loss:		
Inventories recognised as cost of sales	86,681	93,286
Inventories written-down	142	388
Reversal of inventories written-down	-	(20)

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current:					
Trade					
Trade receivables	(a)	28,720	27,943	-	-
Non-trade					
Other receivables	(b)	1,473	689	-	-
Deposits	(c)	1,884	2,018	-	-
GST refundable		543	463	25	10
Amount owing from subsidiaries	(d)	-	-	3,477	2,201
		3,900	**3,170**	**3,502**	**2,211**
		32,620	**31,113**	**3,502**	**2,211**

(a) Trade receivables

Credit terms of trade receivables range from 60 to 180 days (2015: 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 2016			
Not past due	14,380	-	14,380
Past due 0-30 days	10,260	-	10,260
Past due 31-120 days	2,753	-	2,753
Past due more than 120 days	2,801	(1,474)	1,327
	30,194	(1,474)	28,720

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

12. TRADE AND OTHER RECEIVABLES *Cont'd*

(a) Trade receivables *Cont'd*

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

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

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	
	2016 RM'000	2015 RM'000
At 1 January	1,315	1,387
Charge for the financial year	159	25
Written off	-	(97)
At 31 December	1,474	1,315

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 Nil (2015: RM388,000/-) owing from a shareholder of a subsidiary. The amount owing was non-trade in nature, unsecured, interest free and repayable on demand and was expected to be settled in cash.

(c) Included in deposits of the Group are amounts totaling of RM1,338,000/- (2015: RM 1,678,000/-) being deposits made for the purchase of property, plant and equipment.

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

NOTES TO THE *FINANCIAL STATEMENTS*
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13. SHORT TERM INVESTMENTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through profit or loss				
- Investment in unit trust, quoted in Malaysia	**4,344**	**7,991**	**1,254**	**2,999**
Market value of quoted unit trust	4,344	7,991	1,254	2,999

14. CASH AND SHORT TERM DEPOSITS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	1,205	1,186	-	-
Cash and bank balances	13,335	17,211	87	20
	14,540	**18,397**	**87**	**20**

15. SHARE CAPITAL

	Group and Company			
	Number of ordinary share of RM1 each		Amount	
	2016	2015	2016	2015
	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.

NOTES TO THE *FINANCIAL STATEMENTS*
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16. TREASURY SHARES

During the financial year, the Company repurchased 10,000 of its issued ordinary shares from the open market at an average price of RM0.6409 per share. The total consideration paid was RM6,409/- excluding transaction costs of RM90/-. The shares repurchased were retained as treasury shares.

At 31 December 2016, the Group held 2,631,100 (2015: 2,621,100) of the Company's shares as treasury shares. The number of outstanding ordinary shares of RM1/- each in issue after set off is 42,168,900 (2015: 42,178,900).

At 31 December 2016, the Company's treasury shares are held at a carrying amount of RM1,188,000/- (2015: RM1,182,000/-).

17. RESERVES

		Group		Company	
		2016	2015	2016	2015
	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)	325	352	-	-
		5,216	5,243	4,891	4,891
Distributable					
Retained earnings	(c)	24,467	28,659	18,102	14,611
		29,683	33,902	22,993	19,502

(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 2016, the Company is able to distribute the retained earnings under the single tier system.

NOTES TO THE *FINANCIAL STATEMENTS*
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18. LOANS AND BORROWINGS

	Note	Group 2016 RM'000	Group 2015 RM'000
Non-current			
Term loans	(a)	12,123	1,960
Current			
Term loans	(a)	1,510	137
Bank overdraft	(b)	2,619	2,579
Banker acceptance	(b)	1,460	1,373
		5,589	4,089
Total loans and borrowings			
Term loans	(a)	13,633	2,097
Bank overdraft	(b)	2,619	2,579
Banker acceptance	(b)	1,460	1,373
		17,712	6,049

(a) Term loans

The term loans bears interest rates from 4.85% to 5.40% (2015: 4.85%) per annum and repayable by 180 monthly installments ranges from RM20,000/- to RM100,000/- (2015: RM20,000/-).

The term loans are secured by way of:

(i) first party legal charge and specific debentures created over freehold land and buildings of the Group as disclosed in Note 5 to the financial statements; and

(ii) corporate guarantee by the Company.

(b) The banker acceptance and bank overdraft of the Group bears interest rates of 8.31% (2015: 8.35%) per annum and is supported by a corporate guarantee issued by the Company.

19. OTHER FINANCIAL LIABILITY

	Group 2016 RM'000	Group 2015 RM'000
Written put options to non-controlling interest	-	23

In previous financial year, 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.

NOTES TO THE *FINANCIAL STATEMENTS*
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19. OTHER FINANCIAL LIABILITY *Cont'd*

The put options were revalued by Directors in previous 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.

During the financial year, the put options had lapsed.

20. PROVISION FOR WARRANTY

	Group	
	2016	2015
	RM'000	RM'000
Current		
At 1 January	-	288
Provisions reversed during the financial year	-	(288)
At 31 December	-	-

The provision for warranty was mainly related to automotive brake system sold. It is based on estimated made from historical warranty data associated with similar products and services.

21. TRADE AND OTHER PAYABLES

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Current:					
Trade					
Trade payables	**(a)**	15,287	13,562	-	-
Non-trade					
Other payables and accruals	**(b)**	11,393	10,637	200	225
GST payable		267	542	-	-
Amount due to a subsidiary	**(c)**	-	-	110	243
		11,660	11,179	310	468
Trade and other payables		**26,947**	**24,741**	**310**	**468**

(a) Credit terms of trade payables range from 30 to 120 days (2015: 30 to 120 days).

(b) Included in other payables of the Group is an amount of RM950,000/- (2015: Nil) owing to a non-controlling interest of which RM614,000/- bear on interest rate of 3% (2015: Nil).

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

NOTES TO THE *FINANCIAL STATEMENTS*
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22. REVENUE

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Automotive parts	122,294	122,818	-	-
Dividends income	-	-	5,000	7,000
Machinery parts	11,311	11,546	-	-
Plastic resins trading and compounding	6,173	8,903	-	-
	139,778	**143,267**	**5,000**	**7,000**

23. OPERATING (LOSS)/PROFIT

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
After charging:				
Auditors' remuneration:				
- Malaysian operations				
- current year	160	166	55	55
- prior year	(2)	6	-	10
- Overseas operation				
- current year	48	42	-	-
Amortisation charges of land use rights	215	-	-	-
Depreciation of:				
- investment properties	22	22	-	-
- property, plant and and equipment	7,550	5,427	-	-
Fair value loss on short term investments	-	37	-	37
Foreign exchange loss:				
- realised	351	279	-	-
- unrealised	197	731	-	-
Impairment loss on:				
- trade receivables	159	25	-	-
- other receivable	-	24	-	-
- amount owing from subsidiaries	-	-	-	2,318
- intangible assets	-	710	-	-
Property, plant and equipment written off	199	-	-	-
Inventories written down	142	388	-	-
Lease equipments	364	344	-	-
Personnel expenses (including key management personnel):				
- contribution to Employees Provident Fund	1,185	1,734	-	-
- wages, salaries and others	22,799	20,956	162	18
Rental expenses for:				
- factory	195	195	-	-
- plant and equipment	34	30	-	-
- warehouse and staff housing facilities	148	225	-	-

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

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

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
And crediting:				
Finance income	203	159	-	-
Fair value gain on short term investments	-	48	-	-
Foreign exchange gain:				
- realised	119	187	3	-
- unrealised	254	1,444	-	-
Gain on disposal of				
- property, plant and equipment	53	8	-	-
Income from short term investments	127	94	30	37
Rental income from:				
- premises	41	66	-	-
- investment properties	188	166	-	-
Reversal of impairment loss on other receivables	35	-	-	-
Reversal of inventories written down	-	20	-	-
Reversal of provision on warranty	-	288	-	-

24. FINANCE COSTS

	Group	
	2016	**2015**
	RM'000	**RM'000**
Interest expenses:		
- banker acceptances	67	78
- bank overdraft	241	238
- letter of credit	9	6
- term loans	366	106
	683	428
Other bank charges	75	87
	758	**515**

NOTES TO THE *FINANCIAL STATEMENTS*
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25. TAXATION

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Income tax expense					
- current year		(314)	(1,439)	-	-
- prior year		42	713	57	-
		(272)	(726)	57	-
Deferred taxation					
- current year	10	(53)	(304)	-	-
- prior year	10	114	(179)	-	-
		61	(483)	-	-
		(211)	**(1,209)**	**57**	**-**

Domestic income tax is calculated at the Malaysia statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation	(2,769)	2,597	4,489	4,231
Taxation at applicable tax rate of 24% (2015: 25%)	664	(649)	(1,077)	(1,058)
Tax effect arising from				
- non-deductible expenses	(1,248)	(1,311)	(66)	(702)
- tax exempt income	14	95	1,200	1,760
- difference in tax rates	-	(4)	-	-
Utilisation of reinvestment allowances	1,511	250	-	-
- overaccrual in prior years	156	534	-	-
- unrecognised deferred tax assets	(1,308)	(124)	-	-
Tax (expenses)/income for the financial year	(211)	(1,209)	57	-

NOTES TO THE *FINANCIAL STATEMENTS*
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26. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
(Loss)/Profit attributable to owners of the Company	(3,160)	492
Weighted average number of ordinary shares:		
Issued ordinary shares	44,800	44,800
Effect of treasury shares held	(2,625)	(2,731)
Weighted average number of ordinary shares at 31 December	42,175	42,069
Basic earnings per share (sen)	**(7.49)**	**1.17**

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).

27. DIVIDENDS

	Group and Company	
	2016	**2015**
	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

The Directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2016.

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28. OPERATING LEASES

Leases as leases

	Group	
	2016	**2015**
	RM'000	**RM'000**
Less than one year	180	272
Between one and five years	39	159
	219	431

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 (Note 7 to the financial statements). The future minimum lease payments under non-cancellable leases are as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Less than one year	10	10

29. RELATED PARTY TRANSACTIONS

(a) Identification of related parties

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

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

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

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

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

(b) Significant related party transactions

	Group Amount transacted for the year ended 31 December	
	2016	2015
	RM'000	RM'000
San Yes Automotive Technology Co. Ltd.		
Purchase of raw materials	138	142
Sugihara Co. Ltd.		
Purchase of raw materials	3,123	1,106
Royalties	719	677
Other expenses	706	752

(c) The key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Company's Directors				
- Fees	140	164	140	164
- Remuneration	2,567	2,757	18	18
- Other short term employee benefits (including estimated monetory value of benefit-in-kind)	-	19	-	-
	2,707	2,940	158	182
Other key management personnel:				
- Remuneration	303	284	-	-

Other key management personnel comprise person 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 the Directors' benefits-in-kind is Nil (2015: RM19,000/-).

NOTES TO THE *FINANCIAL STATEMENTS*
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30. CAPITAL COMMITMENTS

	Group	
	2016	2015
	RM'000	RM'000
Contracted but not provided for and payable		
- Plant and machineries	154	6,236
Approved but not contractor for		
- Land use rights	9,701	-

31. 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 amounts RM'000	L&R RM'000	FVTPL RM'000
Financial assets			
2016			
Group			
Trade and other receivables*	32,077	32,077	-
Short term investments	4,344	-	4,344
Cash and short term deposits	14,540	14,540	-
	50,961	46,617	4,344
Company			
Trade and other receivables*	3,477	3,477	-
Short term investments	1,254	-	1,254
Cash and short term deposits	87	87	-
	4,818	3,564	1,254

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

31. FINANCIAL INSTRUMENTS *Cont'd*

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

	Carrying amounts RM'000	L&R RM'000	FVTPL RM'000
Financial assets			
2015			
Group			
Trade and other receivables*	30,650	30,650	-
Short term investments	7,991	-	7,991
Cash and short term deposits	18,397	18,397	-
	57,038	49,047	7,991
Company			
Trade and other receivables*	2,201	2,201	-
Short term investments	2,999	-	2,999
Cash and short term deposits	20	20	-
	5,220	2,221	2,999

* *Exclude GST refundable*

	Carrying amounts RM'000	FL RM'000	FVTPL RM'000
Financial liabilities			
2016			
Group			
Loans and borrowings	(17,712)	(17,712)	-
Trade and other payables^	(26,680)	(26,680)	-
	(44,392)	(44,392)	-
Company			
Trade and other payables^	(310)	(310)	-
2015			
Group			
Loans and borrowings	(6,049)	(6,049)	-
Trade and other payables^	(24,199)	(24,199)	-
Other financial liability	(23)	(23)	-
	(30,271)	(30,271)	-
Company			
Trade and other payables^	(468)	(468)	-

^ *Exclude GST payable*

31. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management

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

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 12. 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 subsidiaries and related companies in determining the recoverability of these intercompany balances.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

31. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(i) Credit risk *Cont'd*

Trade and other receivables *Cont'd*

Credit risk concentration profile

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

	Group	
	2016	2015
	RM'000	RM'000
Automotive parts	23,288	21,901
Machinery parts	3,414	3,629
Plastic resins trading and compounding	2,018	2,413
	28,720	27,943

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 RM17,712,000/- (2015: RM6,049,000/-) 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.

(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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

31. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(ii) Liquidity risk *Cont'd*

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 amounts RM'000	Under 1 year RM'000	2-5 years RM'000	> 5 years RM'000	Total RM'000
Group					
2016					
Bank overdraft	2,619	2,619	-	-	2,619
Banker acceptance	1,460	1,460	-	-	1,460
Term loans	13,633	2,452	7,356	6,355	16,163
Trade and other payables	26,680	26,680	-	-	26,680
2015					
Bank overdraft	2,579	2,579	-	-	2,579
Banker acceptance	1,373	1,373	-	-	1,373
Term loans	2,097	236	943	1,573	2,752
Trade and other payables	24,199	24,199	-	-	24,199
Other financial liability	23	23	-	-	23
Company					
2016					
Other payables	310	310	-	-	310
2015					
Other payables	468	468	-	-	468

(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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

31. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(iii) Currency risk *Cont'd*

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 were as follows:

	|--------------------------------Denominated in--------------------------------|							
	USD	JPY	SGD	THB	AUD	CHF	CNY	INR
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016								
Trade receivables	1,871	-	-	-	-	-	-	-
Other receivables	-	13	-	-	-	-	-	-
Cash and bank balances	2,477	-	-	-	-	-	-	-
Trade payables	(889)	(2)	-	(548)	(2)	(14)	-	-
Other payables	(360)	(288)	-	-	-	-	-	-
Exposure in the statements of financial position	3,099	(277)	-	(548)	(2)	(14)	-	-
2015								
Trade receivables	2,499	-	-	-	-	-	-	-
Other receivables	280	1,579	-	-	-	-	-	-
Cash and bank balances	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)

Currency risk sensitivity analysis

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

NOTES TO THE *FINANCIAL STATEMENTS*

Cont'd

31. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(iii) Currency risk *Cont'd*

Currency risk sensitivity analysis *Cont'd*

The following table demonstrates the sensitivity to a reasonably possible change in the USD, JPY and THB, 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
Group		
2016		
USD	+ 10%	236
JPY	+ 10%	(21)
THB	+ 10%	(42)
2015		
USD	+ 10%	349
JPY	+ 10%	36

The exposure to currency risk of the Group on SGD, AUD, CHF, CNY and INR 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.

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

31. FINANCIAL INSTRUMENTS *Cont'd*

(b) Financial risk management *Cont'd*

(iv) Interest rate risk *Cont'd*

Interest rate risk sensitivity analysis *Cont'd*

Cash flow sensitivity analysis for variable rate instruments

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
Group		
2016	+ 100	(135)
	- 100	135
2015	+ 100	(45)
	- 100	45

(v) Market price risk

Market price risk is the risk of fluctuation in fair value or future cash flows of the Group's and of the Company's financial instruments, 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.

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

(b) Financial risk management *Cont'd*

(v) Market price risk *Cont'd*

Market price risk sensitivity analysis *Cont'd*

Cash flow sensitivity analysis for variable rate instruments Cont'd

	Change in basis points	Effect on profit for the financial year RM'000
Group		
2016	+ 100	33
	- 100	(33)
2015	+ 100	60
	- 100	(60)
Company		
2016	+ 100	9
	- 100	(9)
2015	+ 100	22
	- 100	(22)

(c) Fair value measurement

The carrying amounts of cash and short term deposits, 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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31. FINANCIAL INSTRUMENTS *Cont'd*

(c) Fair value measurement *Cont'd*

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

	Carrying amounts	Fair value of financial instruments carried at fair value			
		|------------------------Fair value-----------------------|			
	Total	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Financial asset					
2016					
Short term investments	4,344	4,344	-	-	4,344
2015					
Short term investments	7,991	7,991	-	-	7,991
Financial liability					
Other financial liability	(23)	-	-	(23)	(23)
Company					
Financial asset					
2016					
Short term investments	1,254	1,254	-	-	1,254
2015					
Short term investments	2,999	2,999	-	-	2,999

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.

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

(c) Fair value measurement *Cont'd*

Level 3 fair value *Cont'd*

Fair value of financial instruments carried at fair value *Cont'd*

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Written put options	The fair value of put options is 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)

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year, the following were completed:

(a) On 25 February 2016, Sugihara Grand Industries Sdn. Bhd. ("Sugihara") had entered into a Sale and Purchase Agreement with C.T. Campbell Holdings Sdn. Bhd. to purchase a piece of freehold land measuring approximately 6,106 square metres together with 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/-.

(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/-;

On 23 December 2016, HHPL submitted application to Accounting and Corporate Regulator Authority ("ACRA") to strike off the company.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *Cont'd*

During the financial year, the following were completed: *Cont'd*

(c) On 14 March 2016, Sugihara increased its ordinary share capital from RM4,311,340/- to RM10,500,000/- by the allotment of 6,188,660 ordinary shares of RM1/- each. The Company then acquired 3,713,196 ordinary shares of RM1/- each of Sugihara for a total cash consideration of RM3,713,196/-, maintaining 60% equity interest in Sugihara.

(d) On 24 March 2016, the Company acquired 2 ordinary shares of RM1/- each of SMIS Grand Ventures Sdn. Bhd. ("SGV") (previously known as Ubud Leaders Sdn. Bhd.) and Cendana Eksotik Sdn. Bhd. ("Cendana") respectively which represents 100% of equity interest in SGV and Cendana for a total cash consideration of RM2/- each.

(e) On 7 September 2016, the Liquidators of Cleon Technology Sdn. Bhd. ("Cleon") had convened a Final Meeting pursuant to Section 272(1) of the Companies Act, 1965 ("the Act"). Accordingly, Cleon shall be dissolved on the expiration of three (3) months after the lodgement date of the Returns relating to the Final Meeting (pursuant to Section 272(5) of the Act) with the Companies Commission of Malaysia (the "Dissolution"). On 9 December 2016, Cleon was dissolved.

(f) On 25 October 2016, Grand Carpet Industries Sdn. Bhd. had entered into a Letter of Intent with PT Kawasan Industri Terpadu Indonesia China to acquire a parcel of land in Kawasan Industri Terpadu Indonesia China Lot 70, for total consideration of IDR33,181,30,000 (equivalent to RM10,595,000), subject to value added tax of 10% in accordance with the terms and conditions as stipulated in the aforesaid Letter of Intent.

33. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company are, where applicable:

- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium and capital redemption reserve will become part of share capital.

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

34. 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.

NOTES TO THE *FINANCIAL STATEMENTS*

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34. CAPITAL MANAGEMENT *Cont'd*

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 of the Group are as follows:

Group	2016 RM'000	2015 RM'000
Total loans and borrowings (Note 18)	17,712	6,049
Total equity	83,903	85,482
Gearing ratio	0.21	0.07

The Group is 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.

35. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Executive 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 (loss)/profit before tax, interest, as included in the internal management reports that are reviewed by the Group's 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 Executive Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Executive Director. Hence no disclosure is made on segment liabilities.

Geographical segments

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

NOTES TO THE *FINANCIAL STATEMENTS*

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35. OPERATING SEGMENTS *Cont'd*

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.

	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
2016							
Revenue from external customers	122,294	11,311	6,173	5,000	(5,000)	(a)	139,778
Segment (loss)/profit	626	(222)	(2,107)	4,489	(5,000)		(2,214)
Included in the measure of segment profit/(loss) are:							
Amortisation of land use rights	-	-	(215)	-	-		(215)
Depreciation of property plant and equipment	(6,682)	(365)	(503)	-	-		(7,550)
Depreciation of investment properties	(6)	(16)	-	-	-		(22)
Property, plant and equipment written off	(199)	-	-	-	-		(199)
Reversal of impairment loss on other receivables	-	35	-	-	-		35
Impairment loss on trade receivables	(105)	-	(54)	-	-		(159)
Inventories written down	-	(142)	-	-	-		(142)
Not included in the measure of segment profit but provided to Group's Executive Director:							
Finance costs	(340)	(7)	(411)	-	-		(758)
Finance income	131	71	1	-	-		203
Taxation	1,065	(1,333)	-	57	-		(211)
Other information							
Segment assets	99,936	15,561	11,995	1,366	(78)	(b)	128,780
Segment liabilities	36,246	987	7,522	200	(78)	(b)	44,877
Additions to non-current assets other than financial instruments and deferred tax assets	24,363	105	81	-	-		24,549

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

35. 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/(loss) 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 Executive Director:							
Finance costs	(44)	(27)	(444)	-	-		(515)
Finance income	95	55	6	-	-		156
Taxation	(1,116)	89	(182)	-	-		(1,209)
Other information							
Segment assets	83,279	17,205	13,722	3,030	(78)	(b)	117,158
Segment liabilities	22,691	1,055	7,758	250	(78)	(b)	31,676
Additions to non-current assets other than financial instruments and deferred tax assets	6,500	127	381	-	-		7,008

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.

NOTES TO THE *FINANCIAL STATEMENTS*
Cont'd

35. OPERATING SEGMENTS *Cont'd*

Reconciliations of reportable segment profit or loss

	2016 RM'000	2015 RM'000
Profit or loss		
Total profit or loss for reportable segments	(2,214)	2,956
Finance costs	(758)	(515)
Finance income	203	156
Consolidated profit before tax	(2,769)	2,597
Taxation	(211)	(1,209)
Consolidated profit after tax	(2,980)	1,388

Major customers

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

	Revenue		Segments
	2016 RM'000	2015 RM'000	
Customer A	20,783	24,631	Automotive parts
Customer B	12,710	13,546	Automotive parts
Customer C	39,024	35,261	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 2016 are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	50,879	54,309	18,078	14,611
- unrealised	539	1,144	-	-
	51,418	55,453	18,078	14,611
Less: Consolidation adjustments	(26,951)	(26,794)	-	-
Total retained earnings	24,467	28,659	18,078	14,611

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 SMIS CORPORATION BERHAD, do hereby state that in the opinion of the Directors, the financial statements set out on pages 43 to 112 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 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 113 has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

…………………………………………………..
NG WAI KEE
Director

…………………………………………………..
YAP SIEW FOONG
Director

Kuala Lumpur

Date: 29 March 2017

STATUTORY *DECLARATION*

I, **NG WAI KEE**, being the Director primarily responsible for the financial management of SMIS CORPORATION BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 43 to 112 and the supplementary information set out on page 113 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 29 March 2017.

Before me,

…………………………………………………..
Commissioner for Oaths

INDEPENDENT AUDITORS' *REPORT*

To the Members of SMIS Corporation Berhad

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SMIS Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 43 to 112.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, 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.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company of the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters below to be the key audit matters to be communicated in our report.

Deferred tax assets (Note 10 to the financial statements)

As at 31 December 2016, the Group has recognised deferred tax assets for unutilised tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the unutilised tax losses, unused tax credits and deductible temporary differences can be utilised. The recoverability of recognised deferred tax assets is dependent on whether there will be sufficient future taxable profits against which the unused tax losses and the deductible temporary differences can be utilised.

We focused on this area because the realisation of these deferred tax assets is often dependent on future taxable profits to support the recognition of deferred tax assets.

Our response:

Our audit procedures included, among others:

- comparing the actual results with previous projections to assess the performance of the business and historical accuracy of the projections;
- reviewing the profit projections by assessing the key assumptions such as growth rate, inflation rate and profit margin; and
- testing the mathematical accuracy of the profit projections calculation.

INDEPENDENT AUDITORS' *REPORT*

To the Members of SMIS Corporation Berhad

Cont'd

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS *Cont'd*

Key Audit Matters *Cont'd*

Inventories (Note 11 to the financial statements)

The Group's inventories are measured at the lower of cost or net realisable value. Judgement is required in estimating their net realisable values and identifying slow-moving inventories.

Our response:

Our audit procedures included, among others:

- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable value on selected inventory items;
- evaluating whether the inventories have been written-down to their net realisable value for inventory items with net realisable value lower than their cost; and
- reviewing the inventory ageing prepared by the management. Samples are selected from the aging to test the accuracy of the ageing report.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors of the Company are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' *REPORT*

To the Members of SMIS Corporation Berhad

Cont'd

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' *REPORT*

To the Members of SMIS Corporation Berhad

Cont'd

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 accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 9 to the financial statements, being accounts that have been included in the consolidated accounts.

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

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 113 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 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: 29 March 2017

SHAREHOLDINGS *STATISTICS*
as at 27 March 2017

ANALYSIS OF SHAREHOLDINGS

Total Number of Issued Shares	:	44,800,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

(Against Total Issued Capital of 42,168,900)

Size of Holdings	No of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities	% of Issued Capital*
1 - 99	17	1.68	464	0.00
100 - 1,000	240	23.79	214,700	0.51
1,001 - 10,000	531	52.63	2,669,800	6.33
10,001 - 100,000	188	18.63	5,422,400	12.86
100,001 - 2,108,444*	31	3.07	14,661,536	34.77
2,108,445 and above**	2	0.20	19,200,000	45.53
Total	**1,009**	**100.00**	**42,168,900**	**100.00**

Total No. of Shareholders/Depositors	:	1,009
Total Shareholdings/Securities	:	42,168,900
Total Percentage (%)	:	100.0000

* *Excludes 2,631,100 Ordinary Shares bought back by the Company and held as treasury shares as at 27 March 2017.*

SHAREHOLDINGS *STATISTICS*

as at 27 March 2017

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	1,028,200	2.44
8	CHOW KUAN FONG	955,195	2.27
9	HLB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN*	892,500	2.12
10	NG WAI KEE	640,900	1.52
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	ENG KIM LIAN	380,964	0.90
14	CHAM BEE SENG @ CHIAM BEE SENG	349,989	0.83
15	CHONG TECK HOO @ CHAM TECK HOO	332,089	0.79
16	LEE HA SING	261,900	0.62
17	GOH YOKE CHOO	257,000	0.61
18	AMBANK (M) BERHAD *PLEDGED SECURITIES ACCOUNT FOR MOHD RIANI BIN OSMAN (SMART)*	250,000	0.59
19	TAN JIN TUAN	216,000	0.51
20	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON (E-BMM)*	200,500	0.48
21	PUBLIC INVEST NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KOAY YAN WAH (M)*	180,000	0.43
22	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED* SECURITIES ACCOUNT FOR KOAY TENG HUP (M01)	170,000	0.40
23	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED* SECURITIES ACCOUNT FOR LIM CHAI GUAN (474333)	170,000	0.40
24	CHAN SENG CHEONG	157,500	0.37
25	LIM YOK MOI	150,000	0.36
26	CHAM BEE SIM	149,572	0.35
27	TAN SIEW HOONG	146,200	0.35
28	NG KWEE ENG	142,018	0.34
29	CHEAK YEW KUN	136,100	0.32
30	LIU SIN	130,000	0.30
	TOTAL	**33,522,136**	**79.49**

* *Excludes 2,631,100 Ordinary Shares bought back by the Company and held as treasury shares as at 27 March 2017.*

SHAREHOLDINGS *STATISTICS*

as at 27 March 2017

Cont'd

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 27 MARCH 2017

	Direct Interest		Indirect Interest	
Name of Substantial Shareholder	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
MIYES Holdings Sdn. Bhd. ("MIYES")	15,680,000	37.18	-	-
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	2,284,438	5.42	-	-

* *Excludes 2,631,100 Ordinary Shares bought back by the Company and held as treasury shares as at 27 March 2017.*

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

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 27 MARCH 2017

	Direct Interest		Indirect Interest	
Name of Director	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
Yap Siew Foong	1,263,730	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 2,631,100 Ordinary Shares bought back by the Company and held as treasury shares as at 27 March 2017.*

(1) *deemed interested through Umberston and MIYES*

LIST 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 2016 (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	20	3,867	1,605,875.67
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	25	10,310	5,187,027.74
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	18	2,140	3,214,031
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	6	3,344	2,999,900
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	37	1,197	786,392.86
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	16	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	14	54	216,661
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	6	7,012	1,620,725
Sugihara Grand Industries Sdn. Bhd.	PT 12673, Kawasan Perindustrian Sendayan Tech Valley, Bandar Sri Sendayan, 71950 Seremban, Negeri Sembilan Darul Khusus.	August 6, 2015	2 adjoining detached factory with office annexed. Office and factory.	Freehold	1	7,340	7,218,458

NOTICE OF *ANNUAL GENERAL MEETING*

NOTICE IS HEREBY GIVEN THAT the Eighteenth ("18th") 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 Wednesday, 24 May 2017 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 2016 together with the Directors' and Auditors' Reports thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To approve the payment of Directors' Fees for the financial year ended 31 December 2016. **Ordinary Resolution 1**

3. To re-elect Mr Ng Wai Kee who is retiring under Article 103 of the Company's Articles of Association. **Ordinary Resolution 2**

4. To re-appoint Madam Yap Siew Foong as Director of the Company. **Ordinary Resolution 3**

5. To re-appoint Messrs Baker Tilly Monteiro Heng as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

As Special Business

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

6. **Authority for Mr Foo Lee Khean to continue in office as Senior Independent Non-Executive Director**

   "THAT authority be and is hereby given to Mr Foo Lee Khean who has served as a Senior Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Senior Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting ("AGM") in accordance with the Malaysian Code on Corporate Governance 2012." **Ordinary Resolution 5**

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

   "THAT pursuant to Section 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and from time to time until the conclusion of the next AGM upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue." **Ordinary Resolution 6**

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 25 April 2017 with the related parties mentioned therein which are necessary for the SMIS Group's day-to-day operations, subject further to the following:-

NOTICE OF *ANNUAL GENERAL MEETING*

Cont'd

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

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

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

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

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or

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

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 Total Number of Issued Shares**

"THAT subject to the Act, the Memorandum and Articles of Association of the Company, the MMLR of Bursa Securities and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits as at 31 December 2016 of RM24.5 million to purchase such amount of ordinary shares in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company;

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

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either cancel and/or retain the shares so purchased as treasury shares in accordance with Section 127 of the Act.

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

(i) the conclusion of the next AGM of the Company [being the Nineteenth ("19th") 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;

NOTICE OF *ANNUAL GENERAL MEETING*

Cont'd

(ii) the expiration of the period within which the 19th 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**

BY ORDER OF THE BOARD

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

Selangor Darul Ehsan
Date: 25 April 2017

***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 there shall be no restriction as to the qualification of the proxy.*

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 twenty-four (24) hours before the time appointed for the taking of the poll at the AGM or any adjournment thereof.*

5. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 17 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.*

6. *Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the AGM will be put to vote by way of poll.*

NOTICE OF *ANNUAL GENERAL MEETING*

Cont'd

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 340(1)(a) of the Act does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.*

2. ***Ordinary Resolution No. 3 – Re-appointment of Madam Yap Siew Foong as Director of the Company***

   With the enforcement of the Act on 31 January 2017, there is no age limit for directors.

   At the Seventeenth ("17th") AGM of the Company, Madam Yap Siew Foong, who is above the age of 70, was re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the 18th AGM. Her term of office will end at the conclusion of the 18th AGM and she has offered herself for re-appointment.

   The proposed Ordinary Resolution 3, if passed, will enable Madam Yap Siew Foong to continue to act as Director of the Company and she shall subject to retirement by rotation at a later date.

3. ***Ordinary Resolution No. 5 – Authority for Mr Foo Lee Khean to continue in office as Senior Independent Non-Executive Director***

   The Board of Directors has via the Nomination Committee ("NC") conducted an annual performance evaluation and assessment of Mr Foo Lee Khean, who has served as Senior Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue to act as Senior Independent Non-Executive Director of the Company based on the following justifications:

   a) *He has fulfilled the criteria under the definition on Independent Director as stated in the MMLR of Bursa Securities, and therefore is able to bring independent and objective judgement to the Board;*

   b) *His experience in accounting enables him to provide the Board with a diverse set of experience, expertise, skills and competence;*

   c) *He has been with the Company for more than nine years and therefore understands the Company's business operations which enables him to participate actively and contribute during deliberations or discussions at Audit and Risk Committee ("ARC"), NC, Remuneration Committee ("RC") and Board meetings without compromising his independence and objective judgement;*

   d) *He has devoted sufficient time and efforts and attended all the ARC, NC, RC and Board meetings for informed and balanced decision making; and*

   e) *He has exercised due care during his tenure as Senior Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.*

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

   The Company had, during its 17th AGM held on 27 May 2016, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the then Section 132D of the Companies Act, 1965. 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 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company. 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.

NOTICE OF *ANNUAL GENERAL MEETING*

Cont'd

5. ***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 SMIS Group or affecting the business opportunities available to the SMIS 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 25 April 2017 accompanying the Company's Annual Report 2016.

6. ***Ordinary Resolution No. 8 – Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the Total Number of Issued Shares***

   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 19th 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 25 April 2017 accompanying the Company's Annual Report 2016.

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.*

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 Eighteenth 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 Wednesday, 24 May 2017 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 on the payment of Directors' Fees for the financial year ended 31 December 2016		
Ordinary Resolution 2	Re-election of Mr Ng Wai Kee as Director (Article 103)		
Ordinary Resolution 3	Re-appointment of Madam Yap Siew Foong as Director		
Ordinary Resolution 4	Re-appointment of Messrs Baker Tilly Monteiro Heng as Auditors		
Ordinary Resolution 5	Authority for Mr Foo Lee Khean to continue in office as Senior Independent Non-Executive Director		
Ordinary Resolution 6	Proposed Renewal of Authority under Section 76 of the Companies Act 2016 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 total number of issued shares		

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

Dated this .... day of 2017

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 there shall be no restriction as to the qualification of the proxy.*
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 twenty-four (24) hours before the time appointed for the taking of the poll at the Annual General Meeting ("AGM") or any adjournment thereof.*
5. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 17 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.*
6. *Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the AGM will be put to vote by way of poll.*

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 25 April 2017.

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

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