



**SMIS CORPORATION BERHAD**

[Registration No. 199901016957 (491857-V)]

2023

Annual Report

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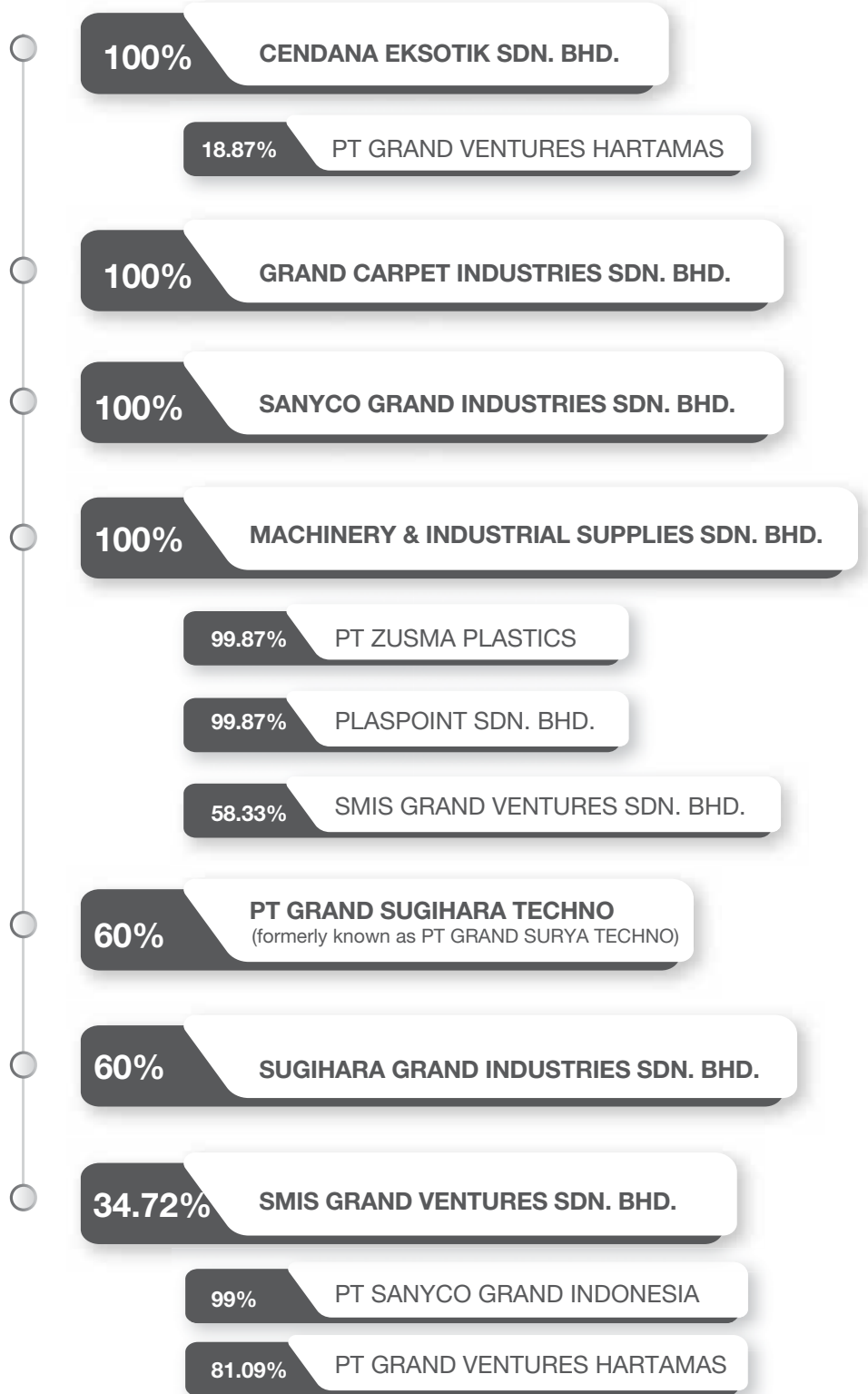
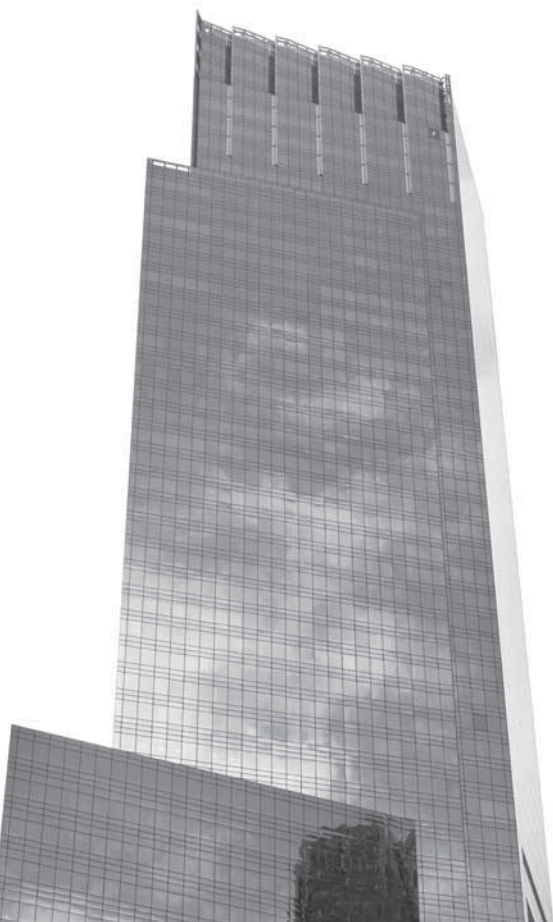
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Proxy Form

# GROUP STRUCTURE

As at 29 March 2024



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Ng Wai Kee**  
(Executive Director & Chairman)

**Yap Siew Foong**  
(Executive Director)

**Wern Li Morsingh**  
(Independent Non-Executive Director)

**Oei Kok Eong**  
(Independent Non-Executive Director)

**Tan Hock Soon**  
(Independent Non-Executive Director)

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### AUDIT AND RISK COMMITTEE

**Tan Hock Soon**  
(Chairman)  
**Wern Li Morsingh**  
**Oei Kok Eong**

### NOMINATION COMMITTEE

**Tan Hock Soon**  
(Chairman)  
**Wern Li Morsingh**  
**Oei Kok Eong**

### REMUNERATION COMMITTEE

**Wern Li Morsingh**  
(Chairperson)  
**Oei Kok Eong**  
**Tan Hock Soon**

### BUSINESS ADDRESS

Lot 3, Jalan Pemaju U1/15  
Seksyen U1, Hicom Glenmarie Industrial Park  
40150 Shah Alam  
Selangor Darul Ehsan  
Malaysia  
Tel: 03-5569 1218 Fax: 03-5569 1150

### WEBSITE

<http://www.smis.com.my>

### COMPANY SECRETARIES

**Tai Yit Chan**  
(MAICSA 7009143)  
(SSM PC No. 202008001023)

**Tan Ai Ning**  
(MAICSA 7015852)  
(SSM PC No. 202008000067)

### REGISTERED OFFICE

12th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel: 03-7890 4800 Fax: 03-7890 4650  
Email: boardroom.kl@boardroomlimited.com

### AUDITORS

Baker Tilly Monteiro Heng PLT  
Registration No. 2019060006000  
(LLP0019411-LCA) (AF 0117)  
Baker Tilly Tower  
Level 10, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia  
Tel: 03-2297 1000 Fax: 03-2282 9980

### PRINCIPAL BANKERS

United Overseas Bank Malaysia Berhad  
[Registration No. 199301017069 (271809-K)]  
UOB Plaza 1, No.7 Jalan Raja Laut  
50350 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia

### SHARE REGISTRARS

Boardroom Share Registrars Sdn Bhd  
[Registration No. 199601006647 (378993-D)]  
11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel: 03-7890 4700 Fax: 03-7890 4670  
Email: bsr.helpdesk@boardroomlimited.com

### STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)  
Stock Name: SMISCOR  
Stock Code: 7132

## FIVE-YEAR FINANCIAL HIGHLIGHTS

As at 31 December

In thousands of RM	2019	2020	2021	2022	2023
Revenue	125,738	101,340	113,176	154,399	159,786
Profit/(Loss) before tax	1,280	(4,577)	(2,284)	22,272	3,024
from continuing operations	1,280	(4,577)	(2,284)	22,272	3,024
from discontinued operation	-	-	-	-	-
Profit/(Loss) for the year	975	(4,829)	(2,467)	19,648	1,408
from continuing operations	975	(4,829)	(2,467)	19,648	1,408
from discontinued operation	-	-	-	-	-
Profit/(Loss) attributable to owners	821	(4,398)	(2,345)	18,453	(385)
from continuing operations	821	(4,398)	(2,345)	18,453	(385)
from discontinued operation	-	-	-	-	-
Total equity attributable to owners	61,354	56,696	54,639	72,673	78,855
Total assets	112,617	114,442	112,111	119,970	132,086
Total liabilities	(36,970)	(43,885)	(43,696)	(32,328)	(35,002)
Total borrowings	(14,421)	(13,455)	(13,024)	(3,674)	(3,245)
<b>Growth rate over previous years</b>					
Revenue	(1.7%)	(19.4%)	11.7%	36.4%	3.5%
Profit/(Loss) before tax	148.2%	(457.6%)	49.9%	1075.1%	(86.4%)
Profit/(Loss) for the year	124.6%	(595.3%)	48.9%	896.4%	(92.8%)
Profit/(Loss) attributable to owners	1.6%	(7.6%)	(3.6%)	33.0%	8.5%
Total assets	(6.0%)	1.6%	(2.0%)	7.0%	10.1%
Total liabilities	(17.5%)	18.7%	(0.4%)	(26.0%)	8.3%
Total borrowings	(31.4%)	(6.7%)	(3.2%)	(71.8%)	(11.7%)
<b>Share information</b>					
Basic earnings/(loss) per share (sen)	1.95	(10.43)	(5.56)	43.77	(0.91)
from continuing operations	1.95	(10.43)	(5.56)	43.77	(0.91)
from discontinued operation	0.00	0.00	0.00	0.00	0.00
Net assets per share (RM)	1.37	1.57	1.53	1.96	2.17
<b>Financial ratio</b>					
Return on equity attributable to owners	1.6%	(8.5%)	(4.5%)	27.0%	1.8%
Return on total assets	0.9%	(4.2%)	(2.2%)	16.4%	1.1%
Debt equity ratio	0.24	0.24	0.24	0.05	0.04

Profile of  
**DIRECTORS**



## PROFILE OF DIRECTORS



Ng Wai Kee, aged 53, 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 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 Components Parts Manufacturers (MACPMA) and Chairman of the Toyota Suppliers Association, Malaysia. Other than SMIS, he does not hold any other directorships in other public listed companies and listed issuers in Malaysia.

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 pages 128 to 129 of the Annual Report, he does not have any other conflict of interest with the Company or its subsidiaries.

He has attended all the five (5) board meetings held in the financial year ended 31 December 2023 (“FY2023”).



Yap Siew Foong, aged 80, 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 and its subsidiaries (“SMIS Group” or “the Group”) and is responsible for the finance and operations of the trading division. Other than SMIS, she does not hold any other directorships in other public listed companies and listed issuers in Malaysia.

She is the mother of Ng Wai Kee. Save for her shareholdings in the Company as disclosed on pages 128 to 129 of the Annual Report, she does not have any other conflict of interest with the Company or its subsidiaries.

She has attended four (4) of the five (5) board meetings held in the FY2023.

## PROFILE OF DIRECTORS

cont'd



Oei Kok Eong, aged 70, male, was appointed to the Board of Directors of SMIS on 21 November 2014 as an Independent Non-Executive Director. He serves as a member of the Audit and Risk Committee, Nomination Committee and Remuneration 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, Petaling Jaya in manufacturing. Since then he has been involved in the automotive component industry for more than thirty (30) years, initially as Operations Manager of a greenfield company, Kayaba (Malaysia) Sdn. Bhd., a joint-venture between an international Japanese PLC and UMW Berhad and rose to the position of General Manager/Director.

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

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

Over the years, he had served in various positions in the Malaysian Automotive Component Manufacturers' Association (MACPMA) and working/technical committees of SIRIM. He also initiated and headed the Toyota Suppliers' Club Lean Manufacturing activities for several years.

He was the founding Chair of the Malaysian Chapter of the Society of Automotive Engineers in 2000.

Up till recently, he was a CEO coach mentoring a group of business owners/CEOs in association with Vistage Malaysia Sdn. Bhd. He also serves as an Independent Non-Executive Director of HPMT Holdings Berhad and New Hoong Fatt Holdings Berhad, both companies listed on the Main Market of Bursa Malaysia Securities Berhad.

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

He has attended all five (5) board meetings held in the FY2023. He does not hold any shares in the Company.

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## PROFILE OF DIRECTORS

cont'd



Tan Hock Soon, aged 52, male, was appointed to the Board of Directors of SMIS on 3 June 2019 as an Independent Non-Executive Director. He serves as the Chairman of the Audit and Risk Committee and the Nomination Committee and is a member of the Remuneration Committee. He is a Fellow Member of the Malaysian Institute of Certified Public Accountants as well as a Member of the Malaysian Institute of Accountants.

He commenced his career with KPMG in 1992 before leaving to join the Corporate Finance Division of Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad) in 1996. He left in 1999 to set up his own business.

From 2001 to 2004, he was an Executive Director of Merces Holdings Berhad (now known as Y&G Corporation Berhad), a company listed on the then Second Board of Bursa Malaysia Securities Berhad. From 2003 to 2008, he was also an Independent Non-Executive Director and Audit Committee Chairman of NTPM Holdings Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. From 2011 to 2023, he was an Executive Director of Systech Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad. In 2004, he obtained his Investment Representative license, co-founded and is currently an Executive Director of Strategic Capital Advisory Sdn. Bhd., a Licensed Investment Advisory company which specialises in Corporate Finance.

He is also currently a Senior Independent Non-Executive Director of Econframe Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad.

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

He has attended all five (5) board meetings held in the FY2023. He does not hold any shares in the Company.



Wern Li Morsingh, aged 51, female, was appointed to the Board of Directors of SMIS on 28 November 2012 as an Independent Non-Executive Director. She 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 Gray'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 Singapore Bar in 2002.

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

She is currently practicing at Amin, Wern Li & Associates. She is a member of the Disciplinary Committee Panel of the Advocates & Solicitors Disciplinary Board since 2018.

Other than SMIS, she does not hold any other directorships in other public companies and listed issuers in Malaysia.

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 or its subsidiaries.

She has attended all the five (5) board meetings held in the FY2023. She 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



Robert Koong Yin Leong, aged 56, male, joined SMIS Group in 2006 as Group Financial Controller. He is a Member of the Malaysian Institute of Accountants and 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 Electrosccon 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. He was appointed as the Non-Executive Director of Systech Berhad in 2011 and redesignated as Non-Executive Chairman in 2019 until his retirement in 2023.

Presently, he serves as an Independent Non-Executive Chairman of EconFrame Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad.

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



Soo Hak Min, aged 59, male, joined the Group in 1999 and is currently an Executive 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 does not hold any directorships in public companies and listed issuers in 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. He does not hold any shares in the Company or its subsidiaries.

### 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 (“MD&A”)

This MD&A should be read in conjunction with the audited consolidated financial statements for the FY2023. This MD&A has been prepared as of 29 April 2024.

Calculations of Earnings Before Interests, Taxes, Depreciation and Amortization (“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, 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 expressed 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 SMIS Group business generated from industrial spares trading.

Our products are supplied to Malaysia, Indonesia and Thailand. Business from the industrial spares and braking components are supplied out of Malaysia whilst automotive carpets are supplied from Malaysia and Indonesia.

### RESULTS FOR THE FY2023

Turnover from operations was RM 159.8m vs RM 154.4m in 2022. Profit before taxation (“PBT”) was RM 3.0m in 2023 vs PBT of RM 22.3m (gains from disposal of land & building was RM 17.6m) in the previous year. Despite the increase in revenue generated in 2023, the Group has recorded a lower PBT from operations due to rising labour cost following the implementation of the amendments to the Employment Act 1955 which came into force on 1 January 2023 and the provision of Indonesia import duty.

<b>Table A</b>	<b>2023</b>		<b>2022</b>
<b>Years ended 31 December</b>	<b>RM'000</b>	<b>Change</b>	<b>RM'000</b>
Sales			
Automotive	154,472	4.1%	148,360
Machinery	5,314	(12.0%)	6,039
Profit/(Loss) for the financial year	1,408	(92.8%)	19,648
(Loss)/Profit for the financial year attributable to the owners of the company	(385)	N/M	18,453
(Loss)/Earnings per share	(0.91)	N/M	43.77
EBITDA	10,475	(65.2%)	30,141
Cash Balance	38,385	53.4%	25,028

*Note: N/M = not meaningful*

Table A summarises financial results for the Group in FY2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

## AUTOMOTIVE SEGMENT

Revenue derived from the Automotive segment (Automotive carpets and Braking components) was higher by RM 6.1m (4.1%) as compared to previous year. Despite the higher revenue recorded, the Automotive segment recorded a lower PBT of RM 4.4m for the year against a PBT of RM 5.7m in 2022 mainly due to the provision of Indonesia import duty of RM 1.5m.

The results of the carpet segment improved by RM 1.5m recording a PBT of RM 6.0m against a PBT of RM 4.5m in 2022.

Revenue from the local carpet segment increased by RM 11.0m to RM 89.3m in 2023 with a PBT of RM 6.7m (2022 PBT was RM 4.3m).

Our Indonesian operations recorded a higher turnover for the year of RM 20.3m as compared to RM 15.9m in 2022. Despite the increase in revenue generated, it recorded a loss before taxation ("LBT") of RM 0.7m against a PBT of RM 0.2m in 2022 mainly due to the provision of Indonesia import duty of RM 1.5m.

Revenue from the braking components segment decreased by RM 9.3m to RM 44.9m in 2023 with a LBT of RM 1.6m against a PBT of RM 1.2m in 2022.

## INDUSTRIAL SPARES SEGMENT

Revenue from the Industrial spares segment decreased to RM 5.3m from RM 6.0m in the previous year. The segment recorded a PBT of RM 0.03m in 2023 against a PBT of RM 0.3m in the previous year.

## SEGMENT STRATEGIES AND CHALLENGES

### Automotive carpets

#### **Strategy**

The long-term strategy of harnessing technical and strategic partnerships and alliances to provide quality products with superior performance to the market remains unchanged. The Group is working towards increasing its revenue from Indonesia as part of its strategy to diversify its country dependent risk. The long-term prospects for Indonesia remains strong as major automotive manufacturers are investing in building further capacity.

In the mid-term, the Group is focused on cost control to remain competitive and yet technologically relevant. These initiatives are necessary as materials, wages, transportation and other costs suffer from inflationary pressure. Continuous process improvements remain crucial in our operations and are critical in providing efficiencies, cost advantages and capacity improvements.

#### **Challenges**

The primary challenges include competition from well-established players, low industry volumes, weak economic sentiment, rising cost of raw materials, disruptions in the supply chain, attracting and retaining skilled workforce and rising labour cost as a result of the amendments of the Employment Act 1955 and the implementation of the minimum wage.

### Braking Components

#### **Strategy**

Establish a long term tie up with global braking system providers and strengthening our position as a tier 2 manufacturer remain as our key strategy. In the mid-term, the segment intends to venture into the replacement market within the region for braking components and diversifying into non-automotive products.

## MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

### **Challenges**

Securing a technical tie up with a tier 1 or a Japanese based braking system manufacturer and lack of reference or experience in the non-automotive sector.

### Industrial Spares

#### **Strategy**

Build strategic alliances to generate more value adding propositions to improve customers' performance. To balance the practice of close collaboration with constant search for better products and niche markets to stay flexible. Securing innovative products and service offerings for various industries would be a key factor.

#### **Challenges**

Competition from other distributors and manufacturers increasingly selling directly to the end user.

### **FORWARD LOOKING AND OUTLOOK**

#### Automotive Carpets and Braking Components

We expect revenue and earnings to be challenging in 2024. The Malaysian Automotive Association forecast Total Industry Volume (Passenger Vehicles) for 2024 to be 666,000 units vs 719,160 units in 2023.

We expect continuous increase in volumes from Indonesia to compensate for part of the reduction in revenue in the local market and lower the country dependent risk.

#### Industrial spares

The Industrial spares segment is working with various local and overseas suppliers in order to offer our customers a wider range of products. This will also allow the company to venture into new sectors.

# Sustainability **STATEMENTS**





# SUSTAINABILITY STATEMENT

## SUSTAINABILITY STATEMENT

(GRI 2-3)

The Board of SMIS is pleased to present the Sustainability Statement (“this Statement”) for the FY2023, outlining the SMIS Group’s commitment to sustainable practices and responsible corporate citizenship. This Statement encapsulates our strategies, priorities, targets, and performance in managing sustainability matters, encompassing economic, environmental, and social (“EES”) dimensions, as well as governance aspects.

## SCOPE AND BASIS OF SCOPE

(GRI 2-2)

Operations covered in this Statement include SMIS Group which operates through five (5) subsidiaries - Machinery & Industrial Supplies Sdn. Bhd., Sanyco Grand Industries Sdn. Bhd. (“Sanyco”), Grand Carpet Industries Sdn. Bhd., Sugihara Grand Industries Sdn. Bhd. (“Sugihara”) and PT Grand Sugihara Techno (formerly known as PT Grand Surya Techno) (“PT GST”).

## REPORTING FRAMEWORKS AND STANDARDS

This Statement is prepared in adherence to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia Listing Requirements”). Additionally, we have incorporated relevant practices outlined in the Sustainability Reporting Guide – 3rd Edition and accompanying Toolkits published by Bursa Malaysia Securities Berhad (“Bursa Malaysia” or “Bursa”). Furthermore, we have considered the Global Reporting Initiative (“GRI”) standards to enhance the comprehensiveness and comparability of our sustainability disclosures.

## SUSTAINABILITY GOVERNANCE

(GRI 2-14)

The Board of SMIS Group upholds its commitment to integrating sustainability principles into the Company’s strategic vision, recognising the critical role of Environmental, Social, and Governance (“ESG”) factors in driving long-term value creation. Acting as custodians of the Company’s interests, the Board continuously evaluates the sustainability of our business operations, ensuring alignment with our overarching goals and fostering sustainable, inclusive growth.

Led by the Executive Chairman, the Board oversees sustainability matters, embedding ESG considerations into strategic decision-making processes. With a focus on cultivating a culture where growth, sustainability, and inclusion intersect, the Executive Chairman guides the development and execution of sustainability strategies, ensuring their integration throughout all aspects of our operations.

Management and business unit heads are responsible for executing sustainability strategies and action plans, aligning them with the company’s sustainability objectives. They are entrusted with identifying and mitigating sustainability-related risks, implementing internal controls to mitigate potential adverse impacts, and driving innovation while minimising our environmental footprint and enhancing social inclusivity.

Open and transparent communication with stakeholders is paramount, and the Board maintains various engagement channels to facilitate meaningful dialogue. These channels address the specific needs and concerns of diverse stakeholder groups, ensuring clear communication of relevant sustainability strategies, priorities, targets, and performance.

Our Board and Management Team spearhead our sustainability initiatives, fostering transparency, trust, and accountability. Responsibilities include driving the implementation of our sustainability roadmap across business functions, setting targets, identifying business risks (including climate change), and recommending action plans. Integration of sustainability strategies and monitoring of progress involve all functions, including our manufacturing units. Moreover, sustainability performance, such as health and safety, energy efficiency, and water management, is integrated into executive compensation targets.

While SMIS Group is in the early stages of significant climate change mitigation efforts, we are exploring various initiatives to address and reduce our climate change impacts and emissions. Moving forward, we are committed to continuous improvement in this area.

# SUSTAINABILITY STATEMENT

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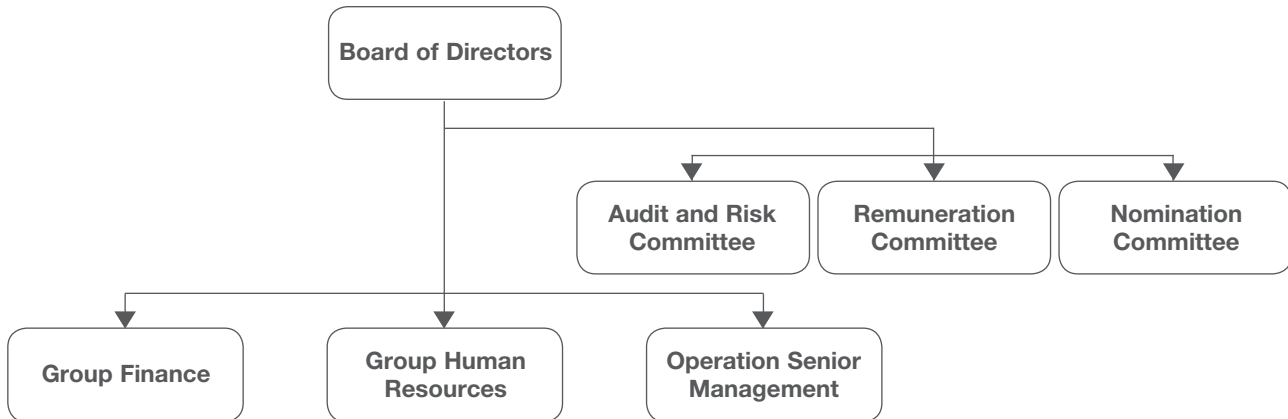


Fig. SMIS Top Management Structure

## STAKEHOLDER ENGAGEMENT

(GRI 2-29)

At SMIS Group, we recognise that our ability to create sustainable, long-term value hinges upon meaningful engagement with our diverse stakeholders. Our stakeholders, spanning various industries, geographies, and communities, not only define our identity but also play a crucial role in shaping our trajectory towards a more inclusive and sustainable future. Their invaluable insights guide us in navigating challenges, seizing opportunities, and anchoring our actions in purpose.

We are committed to striking a balance in our value creation strategies, acknowledging our dual responsibilities to deliver value to stakeholders and uphold our corporate responsibilities. This entails considering stakeholder interests across the short, medium, and long term, ensuring alignment with our overarching sustainability objectives.

Our stakeholders encompass a broad spectrum, including shareholders and investors, customers, suppliers, regulators, financiers, local communities, and the media. Each stakeholder group brings unique perspectives and expectations, which we diligently consider in our engagement strategies. We recognise that stakeholders may wield varying degrees of influence and have distinct interests or dependencies on our business operations.

To foster meaningful dialogue and interaction, we have established diverse engagement channels tailored to the specific needs of each stakeholder group. These channels are designed to optimise communication effectiveness, cost-efficiency, and management considerations, ensuring that stakeholders receive timely and relevant information.

Our stakeholder engagement strategies are guided by key principles aimed at promoting transparency, integrity, and mutual value creation:

- **Knowledge Sharing:** We proactively share our knowledge and expertise with stakeholders, fostering informed decision-making and collaboration.
- **Transparency and Integrity:** We operate with transparency and integrity, providing stakeholders with accurate and reliable information.
- **Value Creation:** We aspire to create value for all stakeholders, nurturing long-term partnerships founded on mutual benefit.
- **Accessibility and Responsiveness:** We are committed to being accessible and responsive, actively engaging with stakeholders and addressing their input and feedback in a timely manner.
- **Collaborative Dialogue:** We believe in genuine dialogue and collaboration, listening attentively to stakeholder perspectives and integrating their feedback into our decision-making processes.

# SUSTAINABILITY STATEMENT

cont'd

The following table summarises SMIS Group's key stakeholder groups, the key engagement methods, importance, and expectation which are commonly discussed or addressed in our engagement with them.

Why they are important	Key Expectation	Type of Engagement
<b>Local Community</b>		
Our partners in progress, a harmonious relationship with the communities where we operate is key to our social licence to operate	<ul style="list-style-type: none"> <li>Increasing community outreach through our programmes</li> <li>Improving grievance mechanism for community</li> <li>Developing and undertaking need-based community projects</li> </ul>	<ul style="list-style-type: none"> <li>Internship Program</li> <li>Grievance mechanisms</li> <li>Engaging with communities via various community initiatives</li> </ul>
<b>Employees</b>		
Our employees are at the centre of all our operations; their collaborative skill and expertise are essential for our growth	<ul style="list-style-type: none"> <li>Improving training on Health, Safety and Environment and other pertinent material issues</li> <li>Providing increased opportunities for career growth through internal talent recognition</li> <li>Increasing gender diversity</li> </ul>	<ul style="list-style-type: none"> <li>Feedback sessions</li> <li>Performance management systems</li> <li>Various plant-level meetings</li> <li>Event Management Committee and Welfare Committee</li> </ul>
<b>Shareholders, investors and lenders</b>		
As providers of capital, they are key to our growth and expansion plans	Consistent disclosure on EES performance as per Bursa Malaysia	<ul style="list-style-type: none"> <li>Regular updates through Bursa's announcement and corporate website</li> <li>Annual General Meeting</li> <li>Announcements on Quarterly result</li> </ul>
<b>Civil Societies</b>		
Collaboration is essential to advocate for and promote sustainable practices	<ul style="list-style-type: none"> <li>Expectation of being aligned with the global sustainability agenda</li> <li>Commitment to ensuring human rights for all</li> </ul>	<ul style="list-style-type: none"> <li>Partnerships with, and membership of international organisations</li> <li>Working relationships with organisations on specific projects</li> <li>Engagement with international, national, and local Non-Governmental Organisations ("NGOs")</li> </ul>
<b>Industry (suppliers, customers, peers, media)</b>		
A positive relationship enables us to raise growth capital in a timely and cost-effective manner	<ul style="list-style-type: none"> <li>Consistent implementation of the Code of Business Conduct and Ethics</li> <li>Compliance with environmental and social laws</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction surveys on development and performance</li> <li>Vendor scorecards</li> <li>In-person visits for customers, suppliers' and vendors' meetings</li> </ul>
<b>Government</b>		
Key for ensuring compliance, interpretation of regulations and uninterrupted operations	<ul style="list-style-type: none"> <li>Compliance with laws</li> <li>Contributing towards the economic development of the nation</li> </ul>	<ul style="list-style-type: none"> <li>Participation in government consultation programmes</li> <li>Engagement with national, state, and regional government bodies at business and operational level</li> </ul>

# SUSTAINABILITY STATEMENT

cont'd

## MATERIALITY ASSESSMENT

(GRI 3-2)

During the FY2023, SMIS Group undertook a comprehensive review to refine our understanding of internal and external stakeholder expectations and drive meaningful progress on ESG matters. This assessment aimed to identify sustainability topics that:

- Reflect the company's significant sustainability impacts, or
- Substantively influence stakeholders' assessment or decisions.

The materiality assessment process was facilitated by key management personnel, who collaborated to identify and categorise sustainability matters relevant to our business operations. Building upon previous assessments, this year's process incorporated consultation with management to ensure a comprehensive and inclusive approach.

Management conducted the materiality assessment using a survey approach, with key management personnel rating each sustainability matter based on its significance in reflecting the company's sustainability impacts and influencing stakeholders' assessment or decisions. This process enabled us to prioritise sustainability topics based on their relative importance to our stakeholders and business operations.



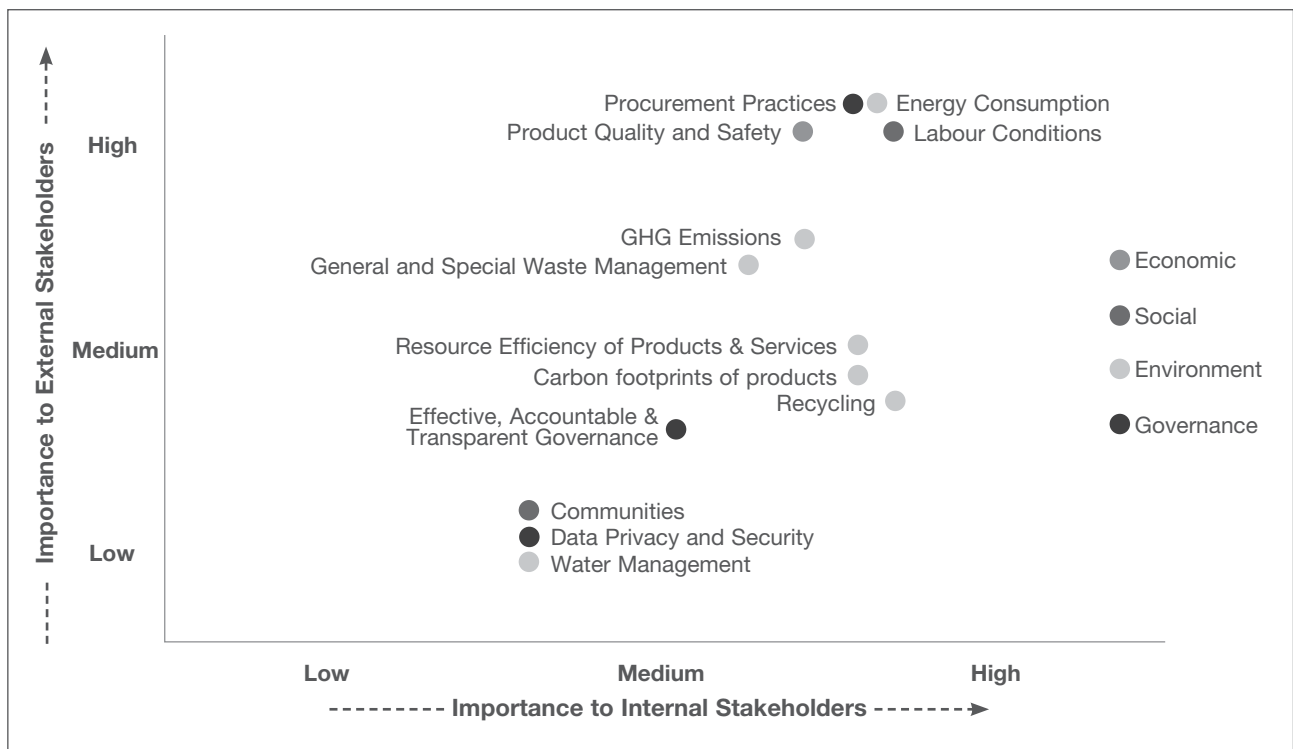
# SUSTAINABILITY STATEMENT

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In conducting the materiality assessment, we considered the latest amendments to the Bursa Malaysia Listing Requirements, ensuring alignment with regulatory expectations and industry standards. In addition to previously identified sustainability matters, three new topics were added to the assessment based on their significance and alignment with the Bursa Malaysia Listing Requirements. These topics include:

- Communities
- Data Privacy and Security
- Water Management

The Group’s material sustainability matters are illustrated in the following materiality matrix.



Material Topics	
1	Energy Consumption
2	Procurement Practices
3	Labour Conditions
4	Product Quality and Safety
5	Greenhouse Gas (“GHG”) Emissions
6	General and Special Waste Management
7	Resource Efficiency of Products and Services
8	Carbon Footprints of Products
9	Recycling
10	Effective Accountable and Transparent Governance
11	Communities
12	Data Privacy and Security
13	Water Management

# SUSTAINABILITY STATEMENT

cont'd

## ETHICAL BUSINESS PRACTICES

(GRI 205-1, 205-2, 205-3)

### Code of Conduct

At SMIS Group, we are unwavering in our commitment to maintaining the highest standards of business ethics across all facets of our operations. Our Code of Conduct serves as a cornerstone document, providing clear guidance to our employees and stakeholders on expected behaviours and ethical practices. It reflects our core values and principles, guiding our actions and decisions in alignment with legal requirements and societal expectations.

Our Code of Conduct outlines the following key principles:

 <b>Compliance</b>	<ul style="list-style-type: none"> <li>We are committed to compliance with all applicable laws, rules, and regulations governing our operations, both locally and internationally</li> </ul>
 <b>Conflict of Interest</b>	<ul style="list-style-type: none"> <li>We maintain strict protocols for identifying and managing conflicts of interest, with clear procedures for disclosure and resolution</li> </ul>
 <b>Fair Competition</b>	<ul style="list-style-type: none"> <li>We uphold principles of fair competition and integrity in all business dealings, fostering a level playing field for all stakeholders</li> </ul>
 <b>Anti-Corruption</b>	<ul style="list-style-type: none"> <li>We prohibit all forms of corruption, including bribery, extortion, and facilitation payments, and adhere to stringent anti-corruption measures</li> </ul>
 <b>Diversity and Inclusion</b>	<ul style="list-style-type: none"> <li>We promote a workplace culture that celebrates diversity and inclusion, fostering a respectful and inclusive environment for all employees</li> </ul>
 <b>Health, Safety, and Environment</b>	<ul style="list-style-type: none"> <li>We prioritise the health, safety, and well-being of our employees, customers, and communities, while actively minimising our environmental footprint</li> </ul>
 <b>Information Confidentiality</b>	<ul style="list-style-type: none"> <li>We safeguard sensitive information and protect the intellectual property rights of our stakeholders, ensuring the confidentiality and integrity of data</li> </ul>
 <b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>We are committed to fair, accurate, and timely corporate disclosures, maintaining transparency and accountability in our reporting practices</li> </ul>

# SUSTAINABILITY STATEMENT

cont'd

We provide multiple channels through which employees and stakeholders can report violations or seek guidance on ethical matters. Additionally, serious violations can be reported anonymously through our whistleblowing channel, in accordance with our Whistleblower Policy.

Percentage of employees who have received training on anti-corruption by employee category <sup>1</sup>	FY2023
Management	100%
Executive	100%
Non-Executive	100%
Overall	100%

We recognise that upholding ethical standards requires ongoing vigilance and commitment to continuous improvement. As such, we regularly review and update our Code of Conduct to reflect evolving legal and ethical considerations, ensuring its relevance and effectiveness in guiding our conduct.

## Code of Ethics

Ethical business conduct is ingrained in our value system. It strengthens our brand equity, serves as a market differentiator, and helps us grow responsibly while safeguarding the interests of our stakeholders and the business. Ethical conduct of business, prevention of corruption and unlawful disclosure or use of inside information, and observance of human rights are essential principles of operation and make up part of our risk management process. In the year under review, no corruption or bribery cases were reported to the Board Committee. We strive to foster a healthy culture of feedback in which employees can feel free to voice any concerns they may have. Should employees become aware of irregularities or wrongdoings, they can report their concerns anonymously through our Whistleblower mechanism.

## Breach of Code of Conduct

To complement SMIS Group's enforcement and monitoring efforts to promote ethical and responsible business practices, it has established the necessary grievance or internal reporting channels through which stakeholders, such as employees or subcontractors, can report concerns regarding how business is conducted at SMIS Group.

Various set of actions will be taken across all our business units if any cases were reported. These mitigation actions involved taking stringent steps towards errant vendors, vendor personnel and employees. Corrective actions range from judicial interrogations, fines, rotation, warnings, and separation from the company.

	FY2022	FY2023
No. of cases for breaching code of conduct	0	0
Confirmed incidents of corruption and action taken	0	0
Percentage of operations assessed for corruption-related risks	NA	0

## Ethical business practices along the supply chain

As a conscientious enterprise, our dedication to ethical business conduct, particularly regarding ESG considerations, extends beyond our internal workforce and activities. We hold those who perform tasks and provide services on behalf of SMIS Group, including representatives and contractors, to the same high standards.

Furthermore, contractors, deemed integral partners in SMIS Group's goals, must adhere to specific codes of conduct, standards, and legal requirements outlined in our service contracts. These encompass areas such as anti-corruption measures, environmental preservation, ensuring workplace safety and health, as well as upholding fair labour practices.

<sup>1</sup> Employee category of Management refers to level of AM and above, whereas non-executives are technician, supervisor and clerical workers.

# SUSTAINABILITY STATEMENT

cont'd

## PRODUCT QUALITY & SAFETY

(GRI 416)

To uphold its commitments to prioritising quality and customer satisfaction, the Company employs a range of tools to ensure and enhance the quality of its products and processes. SMIS Group's production facilities boast certified management systems that comply with globally recognised quality standards and regulations. The company has successfully implemented the requirements of various certification-relevant standards across all SMIS Group plants, including:

- IATF 16949:2016 for quality management systems in the automotive industry
- ISO 14001:2015 for environmental management
- AS9100 for aerospace product standards
- ISO 9001:2015 for quality management systems in various industries

Regular internal and external audits are conducted at relevant locations to verify the conformity of products, systems, and processes, ensuring continuous improvement and adherence to established standards.

### Quality Program: Sharpen. Accelerate. Perform

The aim of the quality program is to consistently uphold SMIS Group's rigorous quality standards, aligning with our commitment to sustainability development and enhancement. This dedication to quality excellence is not only directed towards internal operations but also extends to our customers. The Group remains in its pursuit of enhancing customer satisfaction through various means, including:

- Leveraging technical expertise and reputation
- Employing agile processes and methodologies
- Upholding quality principles and fostering a quality-focused mindset
- Ensuring sustainable quality and performance across all operations

### High Standard Product Safety

Ensuring product safety and compliance are pivotal quality attributes for both industrial facilities and transportation systems. In our corporate endeavours, we prioritise not only the quality of products offered to customers but also their safety and the environmental impact of our operations. The following outlines the key actions undertaken by the SMIS Group in adhering to the principle of "Customer First":

- We exert our utmost efforts to fulfil our customers' expectations by delivering products and services that meet high satisfaction levels.
- We pledge to uphold the "Quality First" principle and enhance the quality and reliability of our products across all divisions, including sales, manufacturing, and research and development.
- We ensure compliance with quality standards during the design and development stages and strive to enhance these standards throughout the manufacturing process.
- We consistently endeavour to organise, maintain, and improve our quality management system.

## RESPONSIBLE SOURCING

(GRI 204-1)

At SMIS Group, we are committed to responsible sourcing practices that promote ethical standards and social responsibility throughout our supply chain. We partner with multiple vendors who supply raw materials, logistics, goods, and services essential for our operations. Our suppliers must adhere to the standards outlined in our supply chain management code of conduct and accompanying technical standards, extending these requirements to their own suppliers.

These standards encompass various aspects such as business ethics, labour and human rights, quality, health and safety, and environmental sustainability. Additionally, key suppliers are encouraged to implement measures to reduce their environmental footprint, aligning with our broader ESG goals, particularly in reducing our carbon footprint.



# SUSTAINABILITY STATEMENT

cont'd

Our commitment to responsible sourcing extends to our procurement practices, where we prioritise local vendors to support the communities in which we operate. By sourcing goods and services locally, we not only stimulate economic growth and create job opportunities but also build sustainable partnerships that benefit both our company and the local economy. This preference for local procurement aligns with our sustainability objectives, contributing to reduced carbon emissions, enhanced community engagement, and greater supply chain resilience.

While we emphasise local procurement, we uphold fair and ethical practices in our procurement processes, conducting thorough evaluations to ensure compliance with high standards of quality, integrity, and social responsibility. By fostering a culture of fairness and transparency, we promote healthy competition and contribute to the long-term sustainability of our supply chain.

	<b>FY2023</b>
Proportion of spending on local suppliers	35.8%

## PROMOTING OCCUPATIONAL HEALTH AND SAFETY

(GRI 403-1, 403-2, 403-5, 403-9, 403-10)

Our strategy for occupational health and safety (“OHS”) revolves around proactive measures to support our vision of establishing a Zero Harm workplace environment. Utilising continuous monitoring, comprehensive training, visible leadership, and active worker involvement, we foster a safety-conscious culture where every individual takes ownership of workplace safety. We have empowered our employees, allowing them the autonomy to refuse tasks they perceive as compromising their safety and that of their colleagues.

### Safety Policy and Framework

Our safety culture, which permeates all facets of our operations, is underpinned by a robust health and safety framework. With a clear structure in place for implementing this framework, we actively solicit feedback to continuously enhance our safety performance. Our unwavering dedication to fostering a dependable and secure workplace, coupled with our robust framework, enables us to navigate challenges confidently and progress with resilience.

At SMIS Group, our OHS measures and Health, Safety, and Environment (“HSE”) Management are governed by the SMIS Group’s internal HSE Rules and Regulations. These regulations outline key commitments, including:

- Complying with all applicable law and regulations related to HSE.
- Managing HSE risks and allocating reasonable resources to preventing HSE-related incidents and accidents.
- Provide HSE training and knowledge to employees.
- Investigating and reporting any accident illness or other dangerous occurrences and ensure they do not reoccur.
- Ensure that employees, customers, contractors, business partners and third parties such as suppliers of goods and services comply with all applicable laws and regulations related to HSE in dealing with the SMIS Group.

### OHS Risk Assessment

When it comes to OHS risk assessments, the Management has thoroughly assessed any work environments deemed high-risk and these environments are monitored more closely by the Group.

SMIS Group does not have employees involved with work that have high incidences or high risks of any specific diseases. Some of the initiatives that SMIS Group has directly taken to minimise the health and safety risks and hazards include the following:

**Providing personal protective equipment to employees**

**Maintaining tight supervision from our line leaders and supervisors**

**Ensuring competent personnel are handling key machinery and equipment**

# SUSTAINABILITY STATEMENT

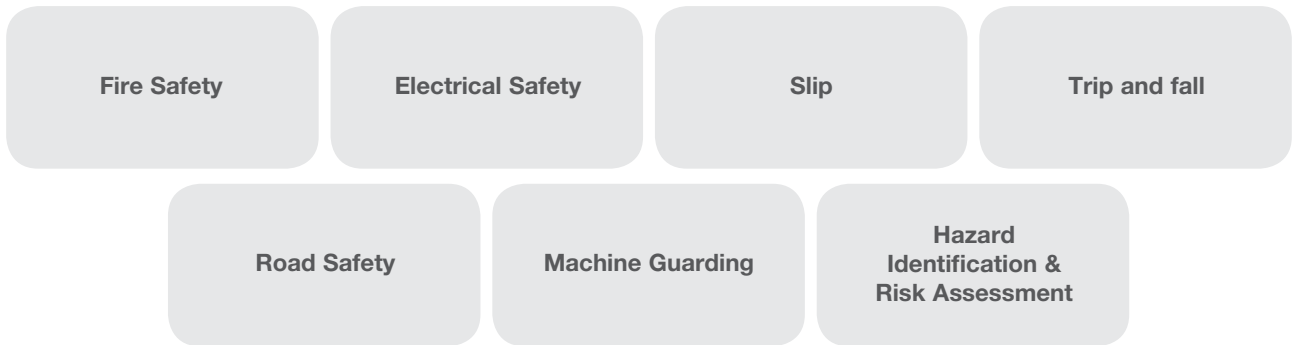
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Going forward, SMIS Group aims to implement suitable OHS targets to further bolster the performance and integrity health and safety excellence at the Group.

## OHS TRAINING

We recognise that safety is a mindset that requires continuous training and awareness-building efforts. Through regular training sessions, we empower our employees to prioritise safety and adhere to statutory safety requirements. These trainings are designed to keep our workforce up to date with the latest safety practices, ensuring that they are equipped to maintain a safe and secure work environment.

By investing in comprehensive training programs, we instil a culture of safety within our organisation, where every employee understands their role in promoting workplace safety. These efforts not only mitigate risks but also contribute to the overall well-being and productivity of our workforce. Through ongoing training initiatives, we are committed to fostering a safe and secure workplace for all employees. Our external and internal training includes:



Here are the internal safety and health trainings SMIS Group conducted for its employees in past years:

	FY2022	FY2023
Number of employees trained on health and safety standards	386	398

## OHS Performance

SMIS Group consistently monitors, records, and evaluates key OHS performance indicators in its work environments. The Group’s OHS performance details are shown here:

	FY2021	FY2022	FY2023
SMIS Group (employees only)			
Number of major injuries/industrial accidents	0	0	0
Number of minor injuries/workplace accidents	2	2	5

For all incidents and accidents recorded, SMIS Group investigates its root causes and subsequently implements corrective, as well as preventive, action plans to prevent the reoccurrence of accidents / incidents in the future. We are proud to report zero fatalities and zero lost time incidents for the current reporting period. Building upon this success, SMIS Group remains dedicated to maintaining these exemplary safety records moving forward. We target to have zero fatalities and zero lost time incidents in the next year.

	FY2023
Number of work-related fatalities	0
Number of Lost Time Incidents	0
Lost Time Incident Rate	0

# SUSTAINABILITY STATEMENT

cont'd

## HUMAN RESOURCES

### Basic Approach

At SMIS Group, we hold a deep belief in the inherent dignity and potential of every individual. We recognise that human beings are born with unique abilities and aspirations, and it is our mission to foster and celebrate these qualities within our workforce. We are committed to creating an inclusive and empowering environment where all associates are valued as equal partners, and their talents are nurtured and fully utilised.

Our basic approach to personnel management is guided by the following principles:

- **Respecting Individual Human Rights:** We embrace the diversity of our workforce and honour each individual's unique characteristics and contributions. We are committed to upholding the basic human rights of all associates and unequivocally reject forced labour or child labour in any form.
- **No Discrimination:** We uphold the principle of equal employment opportunities for all, fostering a culture of free and fair competition. Discrimination or harassment based on race, ethnicity, national origin, religion, gender, age, or any other characteristic is strictly prohibited in our workplace.
- **Compliance with Laws and Ordinances:** We respect the laws, regulations, and cultural norms of each country and region where we operate. Our commitment to legal compliance extends to promoting a safe and respectful working environment for all associates.
- **Creating an Environment of Dialogue:** We value open and honest communication between associates and the company, promoting mutual respect and understanding. We support freedom of association and collective bargaining rights, striving to resolve any issues through constructive dialogue and adherence to relevant laws and conventions.
- **Maintaining a Safe and Secure Workplace:** We prioritise the health, safety, and well-being of our associates by providing a safe and healthy working environment. We strive to create a workplace where every associate can work with confidence and focus on their tasks.

### Caring for our colleagues

When employees feel supported, they thrive, both personally and professionally. We are committed to promoting a culture that protects and nurtures every facet of employee health and well-being, creating an environment where our people can reach their full potential. We approach health and well-being holistically—with benefits and programs that support the mind, body, and purpose.

One of our core values is to “sustain a caring meritocracy.” Our programs and initiatives include employee benefits and perks, mental health programming and support, learning programs, and office-based initiatives.

### Well-being initiatives and habits

At SMIS Group, we are committed to fostering a culture of well-being by equipping our colleagues with the skills, mindsets, and behaviours necessary to build resilience and maintain personal health. Our global well-being initiative is designed to support individuals in managing their well-being across three key dimensions: mind, body, and purpose. These principles are deeply integrated into our learning programs and ingrained in our day-to-day activities.

Our well-being programs cover a diverse range of topics, including fundamental aspects such as nutrition, physical fitness, meaning, and connection, as well as more nuanced areas like stress management, mental resilience, and empathy. We promote a variety of habits and rituals that contribute to holistic well-being, including:

- **Setting High Aspirations:** Inspiring experiences that connect our work to a broader vision of impact, defining what makes our work rewarding.
- **Operating as One Inclusive Team:** Harnessing individuals' talents, expertise, and perspectives to collaborate effectively.
- **Building Alignment and Improvement:** Implementing rituals such as regular feedback sessions and one-on-ones to address issues and drive continuous improvement.

# SUSTAINABILITY STATEMENT

cont'd

- **Showing Care and Appreciation:** Understanding and supporting each other's aspirations, both within and beyond client engagements, to foster a culture of value and appreciation.
- **Managing Well-being:** Establishing work norms that prioritise physical, mental, and emotional self-care.
- **Facilitating Growth:** Systematically integrating development-oriented feedback and knowledge-sharing into our daily routines to support ongoing growth and learning.

## PROMOTE GENDER PARITY, DIVERSITY AND INCLUSION

(GRI 405-1)

At SMIS Group, we take pride in fostering a workplace culture that champions diversity and inclusion. We recognise that the diverse range of experiences, expertise, and perspectives within our workforce strengthens our collective capabilities and equips us to tackle future challenges more effectively. Our commitment to inclusivity ensures that every employee feels valued and empowered to contribute their best.

We strive to create a workplace that reflects the rich tapestry of human diversity, encompassing individuals of all genders, ethnicities, regional affiliations, ages, and backgrounds. Regardless of their differences, we provide equal opportunities for all employees and maintain a zero-tolerance policy against discrimination. Gender parity is a key focus area for us, and we are dedicated to fostering a balanced workforce by empowering women and ensuring they have access to the same opportunities as their male counterparts.

With the overarching goal of promoting diversity and inclusivity, SMIS Group actively recruits employees from diverse backgrounds, ages, and experiences. We are committed to managing diversity across various dimensions, including age, gender, ethnicity, nationality, sexual orientation, cultural background, and other personal factors. By embracing diversity and inclusion, we cultivate a workplace environment that celebrates individual differences and promotes mutual respect and understanding among all employees.

Below is the work force composition of SMIS Group:

	FY2022	FY2023
Total Employees	386	423
Local	218	208
Foreign	168	215

	Bangladesh	Indonesia	Japan	Malaysia	Myanmar	Nepal	India	Total
Total Employees on 31 December 2023	66	26	2	208	25	95	1	423
New Employees for year 2023	40	0	2	19	3	23	1	88

Workforce gender diversity	FY2022	FY2023
Male	325	369
Female	61	54

New hires gender diversity	FY2022	FY2023
Male	120	84
Female	16	4

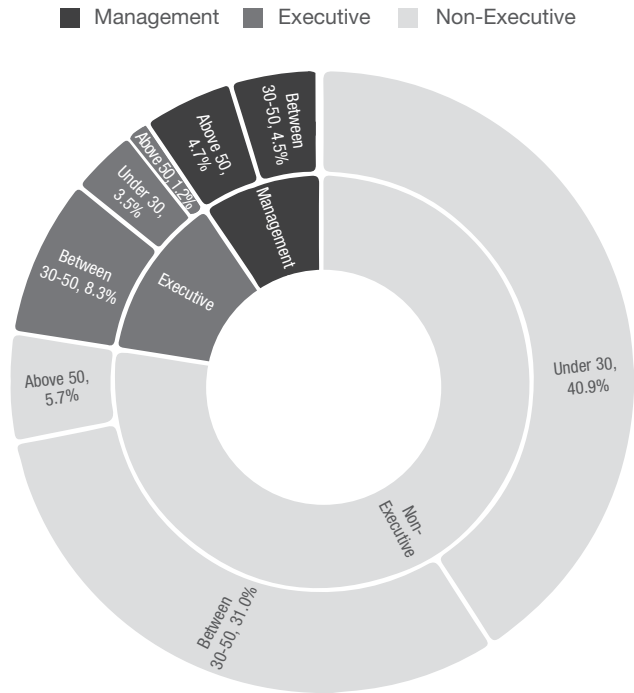
# SUSTAINABILITY STATEMENT

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**Workforce Gender diversity by Employee Category**



**Workforce age diversity by employee category**



## Fostering Youth Employees

Integrating youth to strengthen the business environment is to the core of SMIS Group. In the FY2023, considering the nature of business and future potential SMIS Group recruited more than 73% of employees having age less than 30 years.

To further this commitment to nurture young talent and foster collaboration with the academic community, we've partnered with the local university, UiTM, for an Internship Program. Through this internship program, we contribute to the professional development of the next generation and infuse our workforce with fresh ideas and innovative thinking.

Workforce age diversity	FY2022	FY2023
<30	171	189
30-50	177	185
>50	38	49

New hires age diversity	FY2022	FY2023
<30	103	65
30-50	30	21
>50	3	2

# SUSTAINABILITY STATEMENT

cont'd

## Employee Turnover

Employee retention is one of the key factors on which SMIS Group is consciously managing, we are taking regular feedback from off-boarding employees considering the parameter of economy, regional shift, age, mental well-being etc. The number of employee turnovers during the financial year under review is as follows:

Employee turnover by employee category	FY2023
Management	2
Executive	8
Non-Executive	46
Overall	56

## EMPLOYEE DEVELOPMENT

(GRI 404-1, 404-2)

### Training

At SMIS Group, we prioritise the continuous development of our employees to equip them with the skills necessary to thrive in both current and future roles. Our comprehensive training programs encompass mandatory curricula for new hires and ongoing development opportunities for existing employees. These programs cover a wide range of topics, including leadership development, technological advancements, risk management, compliance, and business processes.

Every employee is required to undergo annual training sessions focused on our Code of Conduct, reinforcing our commitment to ethical business practices and compliance standards. Additionally, specialised courses related to privacy and data protection, cybersecurity, and anti-corruption are offered to ensure employees remain up to date with evolving industry regulations and best practices.

To tailor our training efforts effectively, we conduct regular assessments to identify the specific training needs of individual employees and functional teams. This proactive approach enables us to address skill gaps and support professional growth in alignment with our business objectives and the evolving needs of our workforce.

For the financial year under review, a total of 304 employees attended training on the topic listed below:

Data Analysis	Economy Wellbeing	Health and Safety	Leadership and Management
DATA FORMULATION OEE	FMEA	FIRE DRILL	APQP PROJECT MANAGEMENT
DATA GENERATION	HASiL -MEF TAX	FIRST AID & CPR	COMMUNICATION SKILLS
MACHINE DATA LOGGING & VISUALISATION	INCOME TAX EMPLOYEE REPORTING	SAFE OPERATION OF FORKLIFT	DECISION MAKING & PROBLEM SOLVING
MATERIAL DATA SYSTEM (MDS)	UNLOCKING REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP	TOTAL PREVENTIVE MAINTENANCE	LEADERSHIP - BECOME A BETTER LEADER
CHINA AUTOMOTIVE MATERIAL DATA SYSTEM (CAMDS)		PANDEMIC CAUSES & SAFETY ASSURANCE	BASIC PRODUCT KNOWLEDGE

# SUSTAINABILITY STATEMENT

cont'd

Total hours of training by employee category	FY2023
Management	400
Executive	649
Non-Executive	1680
Overall	2720

## Upskilling and Reskilling

At SMIS Group, we recognise the importance of upskilling and reskilling our existing workforce to meet the evolving demands of our industry and to foster a culture of continuous learning and development. Investing in the growth and development of our current employees, who are already familiar with our organisational culture and committed to our company, is not only efficient but also aligns with our commitment to diversity, equity, and inclusion.

Upskilling and reskilling initiatives are integral to our talent development strategy, ensuring that our employees remain competitive and adaptable in today's dynamic business landscape. By providing opportunities for employees to acquire new skills and competencies, we empower them to progress in their careers and contribute effectively to the success of our organisation.

To support this endeavour, we offer programs that help employees identify the skills they need to advance within the company and tailor their learning journeys accordingly. These programs are designed to align with employees' career development plans and aspirational roles, enabling them to access relevant training opportunities and pursue their professional goals.

## Performance Evaluations

We use an annual performance review process to help employees grow and to evaluate how they support our culture, business success and employee engagement and development. Employees are assessed across four core dimensions: business results; client, customer and stakeholder; teamwork and leadership; and risks, controls and conduct.

## EMPLOYEE WELFARE

Amidst fluctuating economic and market conditions in recent years, SMIS Group remains committed to sustaining the well-being of its workforce, ensuring both short-term stability and long-term resilience. As part of our holistic approach to employee care, we prioritise the provision of competitive packages and benefits aimed at supporting the health, financial security, and personal needs of our employees.

### Health and well-being

- **Medical, Dental, and Vision Coverage:** We prioritise the health of our employees and their families by offering comprehensive medical, dental, and vision coverage with minimal out-of-pocket costs and extensive coverage.
- **Mental Health Support:** We recognise the importance of mental health and provide confidential resources, including telehealth solutions and access to psychology and psychiatry services, to assist employees and their families in managing mental health needs.
- **Business Travel Emergency Protection:** Our employees benefit from 24/7 global support through International SOS, ensuring assistance for emergency medical, security, and logistical issues during business travel.

### Financial protection

- **Life and Accident Insurance:** We safeguard the future of our employees and their families by providing life and accident insurance coverage in the event of unforeseen circumstances.
- **Disability Insurance:** Our disability insurance program ensures that employees continue to receive income if they are unable to work due to illness or injury.
- **Retirement Programs:** We support the financial well-being of our employees by offering retirement savings and investment plans, securing their futures beyond their working years.

# SUSTAINABILITY STATEMENT

cont'd

## Family and personal support

- Personal Leave Policies and Support: We offer flexible work arrangements and leaves of absence to accommodate employees' caregiving responsibilities or bereavement needs.
- Parental Leave Policies: Recognising the importance of family, we provide generous time off for new parents to bond with their newborns and support their transition into parenthood.

## PROTECTING THE ENVIRONMENT

(GRI 302-1, 303-5, 305-1, 305-2, 306-3, 306-4, 306-5)

At SMIS Group, we are innovating and championing a tomorrow that is greener and more sustainable, not only for people but also for other species that co-exist with us.

### Sustainability Framework

At SMIS Group, sustainability has been deeply ingrained in our corporate strategy and fundamental business practices for over a decade. Our proactive approach to anticipating and managing future risks and opportunities is integrated into our governance structure, allowing us to shape and advance our sustainability agenda.

Our sustainability framework is built upon the three pillars of Responsible Stewardship, Stakeholder Engagement, and Future Proofing. These pillars serve as guiding principles that underpin our sustainability efforts across all aspects of our operations, from product development and innovation to internal processes and external relationships. By systematically applying sustainability thinking, we strive to foster purpose-driven decision-making that aligns with our long-term vision and values.

We believe in empowering and investing in our people to drive positive change and transform our sustainability aspirations into tangible outcomes. Through collaborative efforts and a commitment to continuous improvement, we aim to create a sustainable future for generations to come.

### Environment Responsibility

SMIS Group acknowledges the significant impact of climate change on its operations, value chain, and stakeholders. As part of our commitment to sustainability, we remain vigilant in monitoring and mitigating our environmental footprint, including emissions, energy usage, and resource consumption, which contribute to climate change.

Aligned with industry and governmental efforts to address climate change, SMIS Group actively engages with industry peers, suppliers, and government authorities to promote sustainability and innovation. We participate in collaborative initiatives aimed at reducing carbon emissions and advancing environmental stewardship across our operations.

Our commitment to environmental responsibility extends to all employees, who play a vital role in managing SMIS Group's environmental footprint. Through conservative measures and best practices (as illustrated below), we strive to minimise our impact on the environment and promote a sustainable future for generations to come.

Switching off computers, lights and air conditioners and all other appliances during non-operation hours or when not in use		
Installation of rainwater harvesting for toilet system and air condition	Reusing and recycling of office stationery and paper	
Check and edit document on computer before printing	Print double sided as default setting to save paper	Production waste and leftover will be recycled

We actively enforce adherence to these environmentally friendly protocols by emphasising their significance during new employee orientation sessions, monthly briefing sessions, within our employment contracts, and through regular environmental awareness training and educational sessions.



# SUSTAINABILITY STATEMENT

cont'd

## Energy and Emission

The GHG Protocol categorises emissions into three scopes. Scope 1 emissions stem directly from the organisation's operations, while Scope 2 emissions arise from externally generated power used in operations. SMIS Group primarily generates emissions from the direct combustion of Petrol (Scope 1) and purchased electricity (Scope 2). Scope 3 emissions, which encompass indirect emissions from sources not owned or controlled by the manufacturer, are more challenging to quantify.

Energy Consumption	FY2023	FY2022
Electricity (KWh)	8,881,970	8,423,965
Petrol (Litres)	84,330	NA
Total Energy Consumption (GJ) <sup>2</sup>	34,801	NA

Emissions	FY2023	FY2022
Scope 1 (tCO <sub>2</sub> e)	193	175
Scope 2 (tCO <sub>2</sub> e)	6,733	5,637
Total Emissions (tCO <sub>2</sub> e)	6,925	5,812

For the FY2023 (Jan23-Dec23), SMIS Group recorded Scope 1 emissions from fuel consumption at approximately 193 tCO<sub>2</sub>e, marking a slight increase compared to the previous year. Additionally, Scope 2 emissions from electricity consumption totalled 6,733 tCO<sub>2</sub>e, reflecting a notable increase from the preceding year. Consequently, the total emissions for the year witnessed around 19% rise compared to the previous reporting period.

SMIS Group has taken its first steps for decarbonising by following efforts:

- Replacing fluorescent tubes with Light Emitting Diodes and fitting them with refractors leads to 45% savings in lighting cost.
- Installation of transparent roofing
- Awareness trainings
- Installing energy saving devices
- Installation of solar panels in FY2024

## Waste Management

SMIS Group's waste management is based on 5Rs principle mainly Reduce, Reuse, Recycle, Replace and Remove as a part of long-term commitment to emission reduction. SMIS Group has well established waste management plan with proper segregation of recyclable material and proper disposal of waste material is an established practice of group. Our production team are constantly exploring innovative ways to minimise wastage, disposing process and implementing 5R principle.

	FY2023
Total waste generated (Tonne)	1,454.58
Total waste diverted from disposal (Tonne)	88.25
Total waste directed to disposal (Tonne)	1,366.33

## Protecting Water Resources

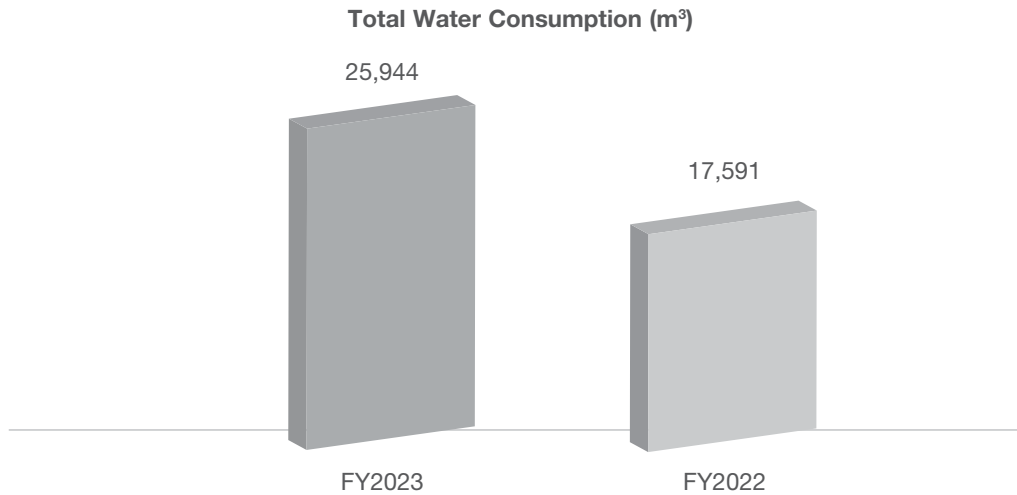
Effective water management is integral to our business operations at SMIS Group. Our goal is to minimise freshwater intake while maximising water availability for nearby communities. To achieve this, we have implemented various sustainable practices, including water recycling, rainwater harvesting, groundwater recharge, and the adoption of water-efficient technologies as standard procedures.

<sup>2</sup> The conversion factors for 2023 are based on the methodology provided by US Energy Information Administration, eia.gov.

# SUSTAINABILITY STATEMENT

cont'd

In our commitment to responsible water management, we adhere strictly to all relevant laws and regulations governing water resources. We prioritise the protection of water bodies and regularly monitor ground and surface water levels and quality across our facilities. Furthermore, all our facilities maintain a zero-water discharge policy to prevent any adverse impact on the environment.



## Biodiversity

We are cognisant of the fact that our processes impact biodiversity and we strive to take steps to minimise or eliminate this impact. In keeping with this, SMIS Group operational units are located at industrial zones and not in Natural Reserve and Protected Areas. Our Biodiversity Policy and management plans ensure that we minimise and mitigate biodiversity risks throughout our operations and strive to avoid adverse impacts on the natural habitat. The continued environmental monitoring activities and the prevention of potential environmental leakages or spills are also aspects that SMIS Group looks to maintain for the sake of a healthy biodiverse environment.

## EMPOWERING COMMUNITIES

(GRI 413-1)

In line with our commitment to supporting and empowering local communities, SMIS Group continues to prioritise initiatives aimed at fostering academic excellence and environmental stewardship.

We continued our Academic Excellence Award program, which recognises and celebrates the outstanding academic achievements of the children of our employees. By rewarding excellence in education, we aim to inspire and encourage the pursuit of knowledge among the youth, paving the way for a brighter future.

We also remain committed to environmental stewardship in the communities where we operate. While our annual beach cleaning event at PD Beach was a highlight for FY2022, we will continue to explore and engage in initiatives that promote environmental awareness and conservation.

Through these initiatives, SMIS Group reaffirms its commitment to making a positive impact on the communities we serve, fostering a culture of excellence, environmental responsibility, and community engagement.

	<b>FY2023</b>
Total amount invested in the community where the target beneficiaries are external to the listed issuer (RM)	0
Total number of beneficiaries of the investment in communities	22

# SUSTAINABILITY STATEMENT

cont'd

## Moving Forward

Cognizant of the global efforts towards mitigating climate change and the worldwide target to keeping the increase in the global average temperature to below 2 degrees Celsius above pre-industrial levels, the Board of SMIS Group acknowledges its responsibility as a corporation, especially one that is involved in the scope 1 and scope 2 emission.

Acknowledging these expectations from the global community, regulators, and other stakeholders, as well as an acknowledgment of SMIS Group corporate responsibilities, the Board of SMIS Group will conduct an assessment on the extent of impact climate change will have on the business, and vice versa. As appropriate, the Board will incorporate climate change strategies into the Group's business strategies and set relevant targets toward reducing our carbon footprint to align our business value creation with the low carbon economy.

## ASSURANCE STATEMENT

The non-financial data presented in SS2023 has undergone validation by internal teams at SMIS to ensure accuracy and reliability. Going forward, we remain committed to continuously improving our sustainability reporting processes and may explore additional measures for enhancing data integrity and transparency.

# SUSTAINABILITY STATEMENT

cont'd

## PERFORMANCE DATA TABLE

Indicator	Measurement Unit	2023
<b>Bursa (Anti-corruption)</b>		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Management	Percentage	100.00
Executive	Percentage	100.00
Non-executive/Technical Staff	Percentage	100.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	0.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0
<b>Bursa (Community/Society)</b>		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	0.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	22
<b>Bursa (Diversity)</b>		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Management Under 30	Percentage	2.50
Management Between 30-50	Percentage	47.50
Management Above 50	Percentage	50.00
Executive Under 30	Percentage	27.30
Executive Between 30-50	Percentage	63.60
Executive Above 50	Percentage	9.10
Non-executive/Technical Staff Under 30	Percentage	52.70
Non-executive/Technical Staff Between 30-50	Percentage	40.00
Non-executive/Technical Staff Above 50	Percentage	7.30
Gender Group by Employee Category		
Management Male	Percentage	70.00
Management Female	Percentage	30.00
Executive Male	Percentage	60.00
Executive Female	Percentage	40.00
Non-executive/Technical Staff Male	Percentage	93.90
Non-executive/Technical Staff Female	Percentage	6.10
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	60.00
Female	Percentage	40.00
Under 30	Percentage	0.00
Between 30-50	Percentage	0.00
Above 50	Percentage	100.00
<b>Bursa (Energy management)</b>		
Bursa C4(a) Total energy consumption	Megawatt	9,666.94
<b>Bursa (Health and safety)</b>		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	171

Internal assurance    External assurance    No assurance

(\*)Restated

# SUSTAINABILITY STATEMENT

cont'd

Indicator	Measurement Unit	2023
<b>Bursa (Labour practices and standards)</b>		
Bursa C6(a) Total hours of training by employee category		
Management	Hours	400
Executive	Hours	649
Non-executive/Technical Staff	Hours	1,680
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	5.60
Bursa C6(c) Total number of employee turnover by employee category		
Management	Number	2
Executive	Number	8
Non-executive/Technical Staff	Number	46
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
<b>Bursa (Supply chain management)</b>		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	35.80
<b>Bursa (Data privacy and security)</b>		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0
<b>Bursa (Water)</b>		
Bursa C9(a) Total volume of water used	Megalitres	25.944000
<b>Bursa (Waste management)</b>		
Bursa C10(a) Total waste generated	Metric tonnes	1,454.58
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	88.25
Bursa C10(a)(ii) Total waste directed to disposal	Metric tonnes	1,366.33
<b>Bursa (Emissions management)</b>		
Bursa C11(a) Scope 1 emissions in tonnes of CO <sub>2</sub> e	Metric tonnes	193.00
Bursa C11(b) Scope 2 emissions in tonnes of CO <sub>2</sub> e	Metric tonnes	6,733.00

Corporate Governance  
**OVERVIEW  
STATEMENT**



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board” or “the Directors”) of SMIS is committed to ensure that good corporate governance principles and practices are applied throughout the SMIS 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, Practices and Recommendations as promulgated by the Malaysian Code on Corporate Governance (the “MCCG”), Corporate Governance Guide (4<sup>th</sup> Edition) issued by Bursa Malaysia and Paragraph 15.25 of the Bursa Malaysia Listing Requirements.

This statement should also be read in conjunction with the other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Reports on Board Committee and Sustainability Statement) and Corporate Governance Report 2023 which can be downloaded from the Company’s website at [www.smis.com.my](http://www.smis.com.my) or from Bursa Malaysia’ website at [www.bursamalaysia.com](http://www.bursamalaysia.com), as the application of certain corporate governance practices may be more evidently manifested in the context of the respective statements.

The Corporate Governance Report 2023 sets out how the SMIS Group has applied each Principles and Step-Ups Practices as set out in the MCCG during the FY2023. Where there is a departure, clear and meaningful disclosure on why the practice was not applied and how the alternative practice achieves the Intended Outcome. SMIS will further enhance its MCCG adoption and put in effort to adhere to all recommended best practices from time to time.

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

The Group is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the Group, generating value for shareholders and contributing to wider stakeholders. The Board has ultimate responsibility for the overall leadership of the Group. In this role, it oversees the development and delivery of the Group’s strategies.

#### *Board of Directors*

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 and manage 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;
- v) establishing proper succession planning, including selecting, appointing, assessing, training, monitoring, fixing the compensation of and where appropriate, replacing the Board and Senior Management;
- vi) developing and implementing a Corporate Disclosure Policies and Procedures (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;
- viii) ensuring the integrity of the Company’s financial and non-financial reporting;
- ix) ensuring that the Company adheres to high standards of ethics and corporate behaviour; and
- x) ensuring the effective discharge of its oversight functions and responsibilities, the Board has established and delegated certain responsibilities to the Board Committees, namely, the Audit and Risk Committee (“ARC”), Nomination Committee (“NC”) and Remuneration Committee (“RC”).

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.

The Board met five (5) times in the FY2023 and the majority of Directors attended these all meetings to which they were eligibly invited. Details of the attendance of each member of the Board are set out on page 40 of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## Board Charter

The Board has adopted a Board Charter which serves as a reference point for the activities and provides guidance and clarity for Directors and Management with regard to the roles and responsibilities of the Board and its Board Committees.

The Board Charter that has been revised on 20 November 2023 is available on the Company's website at [www.smis.com.my](http://www.smis.com.my).

To ensure the continuous relevance of the Board Charter to the MCCG and Bursa Malaysia Listing Requirements, the Board conducts regular review of the Board Charter as and when necessary.

## Composition of the Board

An effective Board needs to have the right group of people, considering each individual's background, skills, knowledge and experience, diversity (e.g. age, gender, culture) and how to bring a group of individuals to work together as a team and assist the Company to achieve its goals. Considerations include the size, composition and time commitments required for the Board members to fulfil their duties effectively.

The Group is led and managed by an effective Board, that has a wide range of expertise, extensive experience and comes from diverse backgrounds. As at 31 December 2023, there were five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors.

Thus, the Board's composition complies with the Bursa Malaysia Listing Requirements which require at least two (2) directors or one-third (1/3) of the Board, whichever is higher, to be independent. The MCCG now provides that at least half of the Board must comprise Independent Directors and for large company there must be a majority of Independent Directors. The Board takes cognizance of the recommendation of the MCCG and has adopted this corporate governance best practice. None of the Directors hold more than five (5) directorships in listed issuers 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 ("COI") and potential COI arise, the Directors concerned will have to declare his/her interest and abstain from participating in the decision-making process.

During the FY2023, the Board assessed the independence of its Independent Non-Executive Directors based on criteria developed by the NC and is 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.

## Tenure of Independent Directors

The Board Charter 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 nine (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.

There are two (2) Independent Non-Executive Directors namely, Ms Wern Li Morsingh and Mr Oei Kok Eong, who will reach the twelve (12) and ten (10) years tenure limit on 27 November 2024 and 20 November 2024 respectively. The NC and the Board, after having reviewed and assessed the fit and proper self-declaration form and independence of the said Independent Directors, consider them to be independent and recommend to the shareholders for approval on their retention at this forthcoming Twenty-Fifth ("25th") Annual General Meeting ("AGM") of the Company to enable them to continue in office as an Independent Non-Executive Director of the Company. The justifications for their retention can be found in the Notice of 25<sup>th</sup> AGM.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## *Board and Senior Management Diversity*

The Board has adopted a Diversity Policy to maintain an appropriate balance of skill, knowledge, professional background and experience in its succession planning. Looking forward to 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 calibre.

The Board maintains a good track record of diversity, with members coming from a wide range of backgrounds. A brief description of the background of each Director is presented under the Profile of Directors of this Annual Report.

As for Senior Management, the Company strives for equal employment opportunities, of which the positions are to be filled with the most suitable candidates on the basis of qualifications, relevant experience, performance potentials and any other attributes required of the job.

The composition of the Board and Senior Management's diversity, as at 31 December 2023, is illustrated below:

### ***The Board***

Ethnicity		Age		Gender	
Malaysian Indian	1	50-59 years	3	Male	3
Malaysian Chinese	4	>60 years	2	Female	2

### ***Senior Management***

Ethnicity		Age		Gender	
Malaysian Chinese	2	50-59 years	2	Male	2

## *Composition and Attendance of Meetings*

The number of Board and Board Committee Meetings held in FY2023 and the attendance of each member of the Board at the respective Board and Board Committee Meetings are as follows:-

Name	Designation	Meeting Attendance			Audit and Risk Committee
		Board of Directors	Nomination Committee	Remuneration Committee	
Ng Wai Kee	Executive Director & Chairman	5/5	-	-	-
Yap Siew Foong	Executive Director	4/5	-	-	-
Wern Li Morsingh	Independent Non-Executive Director	5/5	1/1	1/1	5/5
Oei Kok Eong	Independent Non-Executive Director	5/5	1/1	1/1	5/5
Tan Hock Soon	Independent Non-Executive Director	5/5	1/1	1/1	5/5

In order to ensure all the Directors are able to attend the Board and Board Committees meetings, the calendar for the Board and Board Committees meetings is circulated in advance before the commencement of the financial year which allows the Directors to plan their schedules ahead. The Board is also mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and enhance their professional skills.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

A 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. All reports are presented in a clear and concise manner, to enable the Board to analyse and discharge their duties effectively. Upon the conclusion of the meeting, the minutes will be circulated to the Board for review and comments within a reasonable timeframe prior to the Chairman's confirmation at the next Board meeting.

Aside from Board meetings, any business or urgent matters will also be decided via written circular resolution to ease the decision-making process.

### Code of Conduct, Code of Ethics, Insider Dealing Policy and Anti-Bribery and Anti-Corruption ("ABAC") Policy

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

The Board continues to adhere to the Code of Ethics for Directors to enhance the standard of corporate governance and corporate behaviour 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 also adopted an Insider Dealing Policy for Directors and employees who possess price sensitive information which is not generally available to the public will not be allowed to trade in securities of the Company 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. During the FY2023, none of the Directors dealt in securities of the Company during the closed period.

The Company had adopted the ABAC Policy to ensure that it has adequate procedures in place to prevent persons associated with the Group from undertaking corrupt conduct in relation to the business activities. The Group will review the ABAC policy and programme periodically to assess the performance, efficiency and effectiveness of the Group's anti-bribery and anti-corruption processes and risk management system.

Copies of the Code of Conduct, Code of Ethics, Insider Dealing Policy and ABAC Policy are available on the Company's website at [www.smis.com.my](http://www.smis.com.my).

### Whistle Blower Policy

The Board has adopted the Whistle Blower Policy, which outlines when, how and to whom any concern may be properly raised about any actual or potential corporate fraud, improper conduct or unlawful conduct involving employee, officer or Management of the Company. Through this policy, the Group can preserve its culture of openness, accountability and integrity to enable whistleblowers to express their concerns without fear of punishment or unfair treatment.

A copy of the Whistle Blower Policy is available on the Company's website at [www.smis.com.my](http://www.smis.com.my).

### Conflict of Interest ("COI") Policy

The Company had on 20 November 2023 adopted the COI Policy, which outlines the disclosure obligations of the Director, Management and Officers of the Group and the adequate procedures to be followed when a conflict of interest arises or potentially arises. Through this Policy, the Group can ensure that actual, potential and perceived conflicts of interest are identified and handled appropriately, promoting transparency, protecting the interest of the Group, and foster a culture of honesty and accountability, and good governance within the Group.

A copy of the COI Policy is available on the Company's website at [www.smis.com.my](http://www.smis.com.my).

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## Environmental, Social and Governance (“ESG”)

The Group acknowledges the importance of sustainability relating to ESG including their risks and opportunities to/for the Group. The Board and Management is responsible to ensure that the business strategic plan supports long-term value creation of ESG and managing changes related to ESG issues enabling the Group to achieve long term returns with a lower risk profile.

Detailed information pertaining to the sustainability of the Group can be found in the Sustainability Statement in the Annual Report.

## 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 to keep abreast of the relevant updates on statutory and regulatory requirements such as updates 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 MCGG. The Board has access to all information within the Company and to the advice and services of the Company Secretaries.

The Company Secretaries, who oversee adherence to board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries and/ or the representatives of 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 in advising the Board, when appropriate.

## Directors’ Training

The Board, via the NC, continues to identify and attend appropriate briefings, seminars, conferences and courses to keep abreast of changes in legislations and regulations affecting the Group. 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 engaged in the Mandatory Accreditation Programme as required by the Bursa Malaysia Listing Requirements. Some have completed the full programme, while others have completed Part I. 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, and latest regulatory development and management strategies in relation to the Group’s business.

Details of the trainings attended by the Directors during the FY2023 are as follows:-

No.	Name of Director	Programme	Date Attended
1	Ng Wai Kee	Economic Outlook - Global, Regional & ASEAN Economic Update	18 April 2023
		Mindfulness at Work and Business	13 June 2023
		Dynamics Behind Wellness Plus Tips Behind Best Health Longevity	24 September 2023
		Scaling Up - The Framework for Growth Companies	21 November 2023
		Strategies for Employee Retention	19 December 2023

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

No.	Name of Director	Programme	Date Attended
2	Yap Siew Foong	Directors Behaviour and Boardroom Dynamics	18 December 2023
3	Wern Li Morsingh	A Truly Low Risk-High Return Investment	2 July 2023
4	Oei Kok Eong	Cyber Security : What Directors Need to Know	30 March 2023
		Neuroscience: The Intuition Science	4 October 2023
		Governance, Risk & Controls	6 November 2023
5	Tan Hock Soon	Briefing on the amendments to AMLR in relation to Enhanced Sustainability Reporting Framework	13 February 2023
		Share Capital: Issuance and Alteration	4 August 2023
		Management of Cyber Risk for Board of Directors and Senior Management	3 October 2023
		ESG Investing – The Way to Go!	20 December 2023

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

### Board Committees

The Board has also delegated specific responsibilities to three (3) Board Committees namely the ARC, NC and 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 acknowledges that the Chairman of the Board has taken on the role of CEO in operating the businesses of the Group. Although the functions of the Chairman and the CEO are currently combined, the Board is of the opinion that no single person has excessive powers of decision as:-

- Board decisions are dependent on the consensus of the Directors, who take an active interest in all major and strategic decisions of the Group;
- The Independent Directors able to supply a strong independent element to the decision-making process;
- No single shareholder controls an absolute majority of the voting shares; and
- At all meetings of the Board, if the case required, the Board elects one of its members, other than the Chairman, to be the Chairman of the meeting, thus avoiding any unfettered power of decision-making in any one individual.

Based on the annual assessment conducted on the Board and its Committees for the financial year under review, the Board unanimously resolved that each of its committees has effectively discharged its duties and functions as guided by its respective Terms of Reference.

### NC

The NC comprises entirely of Independent Non-Executive Directors and the members are as follows:-

<b>Tan Hock Soon</b>	<i>Chairman (Independent Non-Executive Director)</i>
<b>Wern Li Morsingh</b>	<i>Member (Independent Non-Executive Director)</i>
<b>Oei Kok Eong</b>	<i>Member (Independent Non-Executive Director)</i>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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 for assessing the independence of candidates' appointment as Independent Non-Executive Directors.

In compliance with the Bursa Malaysia Listing Requirements, the Board has adopted a Directors' Fit and Proper Policy which set out the approach, guidelines and procedures to ensure a formal, rigorous and transparent process is being adhered to for the appointment, re-appointment and/or re-election of the Directors of the Company.

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 fit and proper 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 Committee's 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 their fellow Directors' performance. The assessment and comments by all Directors are summarised 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 its functions are properly documented.

During the financial year under review, one (1) Committee meeting was held and attended by all the members. A summary of key activities undertaken by the NC in the discharge of its duties for the FY2023 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 character, experience, integrity, competence and time commitment of the Directors and Group Financial Controller to ensure they have the time to discharge their respective roles;
- c) Reviewed, considered and assessed the performance, and made recommendations to the Board for its approval, regarding the Directors who are seeking for re-election at the forthcoming AGM pursuant to Company's Constitution;
- d) Reviewed and recommended to the Board for consideration and subsequently table to the shareholders for approval on the continuation of office of Independent Non-Executive Directors who have served the Company as Independent Directors for a cumulative term of more than nine (9) years at the forthcoming AGM;
- e) Assessed the overall Board and the Board Committees' performance and effectiveness as a whole;
- f) Reviewed and assessed the independence of Independent Directors and their tenure of service;
- g) Assessed Directors' training needs to ensure all Directors receive appropriate continuous training programmes;
- h) Reviewed and assessed the term of office and performance of the ARC and each of its members; and
- i) Reviewed the Terms of Reference of the NC and Directors' Fit and Proper Policy pursuant to the MCGG and the amendments to the Bursa Malaysia Listing Requirements prior to the recommendation to the Board for adoption.

The NC, through the annual appraisal, was of the view that all the Directors and Senior Management have the necessary character, experience, integrity, competence and sufficient time to discharge their respective roles effectively during the FY2023.

The Company's Constitution provides that at least one-third (1/3) of the Directors be subject to retirement by rotation at each AGM, and that all Directors retire once every three (3) years and be eligible to offer themselves for re-election. The Constitution also provides that a Director who is appointed during the year be subject to re-election at the next AGM following his appointment.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

The NC is also responsible to conduct the fit and proper assessments of the Directors who are due for retirement at the AGM. Based on the assessment, the NC and the Board are satisfied with the performance of the Directors namely Mr Ng Wai Kee and Mr Oei Kok Eong who will be subjected to retiring by rotation pursuant to Clause 96 of the Company's Constitution and being eligible, offered themselves for re-election.

All the aforesaid Directors have expressed their intention to seek for re-election at the forthcoming AGM.

## Directors' Annual Assessment

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

The Directors' Assessment Policy is available on the Company's website at [www.smis.com.my](http://www.smis.com.my).

## RC

The RC comprises entirely of Independent Non-Executive Directors. The members of the RC are as follows:-

<b>Wern Li Morsingh</b>	<i>Chairperson (Independent Non-Executive Director)</i>
<b>Oei Kok Eong</b>	<i>Member (Independent Non-Executive Director)</i>
<b>Tan Hock Soon</b>	<i>Member (Independent Non-Executive Director)</i>

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 the Directors needed to run the Group successfully. The components of Directors' remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

The RC is entrusted to recommend to the Board, the remuneration of Executive Directors and Non-Executive Directors of the Company in all its forms. The Executive Directors concerned play no part in deciding their own remuneration but may attend the Committee meeting at the invitation of the Chairman of the Committee if their presence is required. The determination of remuneration of the 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 Constitution provides 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 the 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 three (3) Independent Non-Executive Directors, for shareholders' approval at the Company's AGM.

## Directors and Senior Management's Remuneration

The Board has formalised a Remuneration Policy for Directors and Senior Management which determines the level of remuneration package of Directors, CEO and Senior Management.

Remuneration components for the CEO, Executive Directors and Senior Management fixed salary are determined according to:-

- The scope of the duties and responsibilities;
- The conditions and experiences required;
- The ethical values, internal balances and strategic targets of the Company;
- The corporate and individual performance; and
- Current market rate within the industry and in comparable companies.

The bonus in the case of the CEO, Executive Directors and Senior Management is designed to reward outstanding performance. The bonus is granted to reflect the CEO, Executive Directors and Senior Management's performance as well as Group results. A discretionary assessment is made to ensure that all factors, including those that are measurable and not directly measurable are considered.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

Remuneration components for members of the Board fixed fee are determined according to:-

- On par with the rest of the market;
- Reflect the qualifications and contribution required in view of the Group's complexity;
- The extent of the duties and responsibilities;
- The number of Board meetings; and
- The corporate and individual performance.

The benefits and allowances which should be decided by the Board as a whole include:-

- Chairman's allowance;
- Meeting allowance;
- Expenses incurred in the course of their duties as Directors; and
- Benefit in-kind such as motor vehicle, petrol, driver and accommodation.

The Remuneration Policy for Directors and Senior Management is available on the Company's website at [www.smis.com.my](http://www.smis.com.my).

Details of the Directors' remuneration includes fees, salary, bonus, benefits in-kind and other emoluments for the FY2023 are disclosed in the CG Report of the Company.

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### ARC

The ARC comprises entirely of Independent Non-Executive Directors. The members of the ARC are as follows:-

<b>Tan Hock Soon</b>	<i>Chairman (Independent Non-Executive Director)</i>
<b>Wern Li Morsingh</b>	<i>Member (Independent Non-Executive Director)</i>
<b>Oei Kok Eong</b>	<i>Member (Independent Non-Executive Director)</i>

The Chairman of the ARC is not the Chairman of the Board, which allows the Board to objectively review the ARC's findings and recommendations.

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's Term of Reference sets out its rights, duties, responsibilities and criteria on the composition of the ARC, which if it includes a former key audit partner, he/she shall observe a cooling-off period of at least three (3) years before being able to be appointed as member of ARC.

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

- Calibre of external audit firm;
- Quality processes/performance;
- Sufficiency of resources;
- Independence and objectivity;
- Audit scope and planning;
- Audit fees; and
- Audit communications.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

The ARC members have met with the external auditors twice (28 February 2023 and 20 November 2023) 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 ARC works closely with audit partner assigned by Messrs Baker Tilly Monteiro Heng PLT (“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 and in accordance with the Company’s External Auditors Assessment Policy, Baker Tilly rotates its audit partners every seven (7) years to ensure objectivity, independence and integrity of the audit.

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.

The ARC evaluated the performance and independence of the External Auditors on 27 April 2023 and recommended to the Board the re-appointment of Baker Tilly as External Auditors for the FY2023.

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

- Any changes in or implementation of major accounting policies and practices;
- The going concern assumption;
- Integrity of financial statements;
- Compliance with accounting standards and other legal requirements; and
- Significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters were addressed.

During the FY2023, the ARC members have continued to participate in training programmes to keep abreast with the current developments of the accounting and auditing standards, practices and rules.

### Risk Management and Internal Control Framework

The Board retains full responsibility over the Group’s risk management and internal control framework, which the ARC is tasked to discuss and update the report on risk management of the Company every quarter, when significant risk has been identified or there has been a change in the risk profiles. The Board is required to review the adequacy and integrity of the Group’s risk management and internal control framework.

The Statement on Risk Management and Internal Control is set out on pages 56 to 58 of this Annual Report detailing the state and fundamentals of the risk management and internal control systems in the Group as well as the review mechanism of the Board.

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.

To assist the Board in maintaining a sound system of risk management and internal control for the purposes of safeguarding shareholders’ investment and the Company’s assets, the Company outsourced the internal audit function to T.H. Kuan & Co.

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 evaluation of the effectiveness of the internal audit function is conducted annually by the ARC.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### *Communication with stakeholders*

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

The Board has implemented 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 as to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

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. While the Company endeavours 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 is available to shareholders and the public through the Group's website at [www.smis.com.my](http://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 the External Auditors are present to provide answers and clarifications at the meeting.

### *General Meetings*

The AGM is a principal forum for a two-way communication between the shareholders and the Management of the Group. Shareholders are provided with an opportunity to participate in the question-and-answer session in which they may raise questions pertaining to the Group's businesses and affairs.

Notices of each general meeting are issued in a timely manner to all shareholders to ensure that they have sufficient time to prepare and digest issue to be raised during the meeting.

The Company has conducted its Twenty-Fourth Annual General Meeting ("24<sup>th</sup> AGM") on a virtual basis through live streaming and online remote voting using the Remote Participation and Electronic Voting ("RPEV") facilities on 29 May 2023. This is so provided by the Constitution of the Company which allows for general meetings to be held using any technology or electronic means.

In line with the recommendation of MCCG, the 24<sup>th</sup> AGM notice of the Company was served more than twenty-eight (28) days prior to the meeting and the meeting was attended by all five (5) directors of the Company. The Board Chairman, Chairman of the Board Committees and representative of External Auditors were available to respond to the questions of shareholders during the 24<sup>th</sup> AGM.

When there is special business or where special resolutions are proposed, the explanation of the effects of such special business or special resolutions are provided in the notice of the 24<sup>th</sup> AGM under the explanatory notes.

The outcome of all resolutions proposed at the 24<sup>th</sup> AGM was announced to Bursa Malaysia at the end of the meeting day.

The minutes of the 24<sup>th</sup> AGM held on 29 May 2023 was made available to the shareholders within 30 business days after the 24<sup>th</sup> AGM of the Company's website at [www.smis.com.my](http://www.smis.com.my).

## LOOKING AHEAD

The Board is mindful of the need to continually strengthen its governance practices and processes in identified key focus areas and future priorities as part of its forward-looking strategies. Moving forward, these Practices will be constantly reviewed and strengthened where needed. Key focus areas and future priorities that have been identified include tenure of Independent Directors and Board Succession Planning.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

## ADDITIONAL COMPLIANCE CONFIRMATION

a) Material Contracts Involving Directors' and Major Shareholders' Interest

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 either still subsisting at the end of the FY2023 or entered into since the end of the previous financial year.

b) Recurrent Related Party Transactions

The details of the transactions with related parties undertaken by the Company during the FY2023 are disclosed in note 24 on pages 106 to 107 of the notes to the financial statements and in the Part A of the Circular/Statement to Shareholders, dated 30 April 2023.

c) 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 FY2023 are as follows:-

	Group (RM)	Company (RM)
Audit Fees	227,600	49,500
Non-Audit Fees	5,500	5,500
<b>Total</b>	<b>233,100</b>	<b>55,000</b>

d) Utilisation of Proceeds

On 13 January 2023 and 21 December 2023, the Company had entered into Shares Sell and Purchase Agreements with Sugihara Co. Ltd. for the disposal of 216,589 and 1,516,120 ordinary shares, representing 5% and 35% of the total issued share capital in PT Grand Sugihara Techno (formerly known as PT Grand Surya Techno), for considerations of RM 891,746 and RM 6,401,602 respectively.

On 19 April 2024, the proceeds arising therefrom have been utilised for the working capital payments to trade creditors and other operating expenses of the Group.

This Statement is approved by the Board on 29 April 2024.

Audit and Risk  
**COMMITTEE  
REPORT**



## AUDIT AND RISK COMMITTEE REPORT

The Board is pleased to present the Audit and Risk Committee (“ARC”) Report for the FY2023 in accordance with Paragraph 15.15 of Bursa Malaysia Listing Requirements and MCCG.

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.

### COMPOSITION AND MEETING ATTENDANCE

The ARC comprising entirely of Independent Non-Executive Directors. Members of the ARC and details of their attendance at meetings during the FY2023 were as follows:

Composition of Committee	No. of Meetings Attended
Tan Hock Soon <i>Chairman (Independent Non-Executive Director)</i>	5/5
Wern Li Morsingh <i>Member (Independent Non-Executive Director)</i>	5/5
Oei Kok Eong <i>Member (Independent Non-Executive Director)</i>	5/5

The Chairman of the ARC, Mr Tan Hock Soon, is an Independent Non-Executive Director and is a fellow member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. All members of the ARC are financially literate. They are able to understand matters under the purview of the ARC including the financial reporting process to effectively discharge their duties and responsibilities as members of the ARC. No alternate director is a member of the ARC.

The ARC held five (5) meetings during the FY2023. The meetings were appropriately structured through the use of agendas and board papers containing information relevant to the matters for deliberation, which were distributed to members with sufficient notice.

The Executive Directors, Group Financial Controller, representatives of the Internal Auditors and External Auditors would normally attend the meetings to facilitate direct communication and to provide clarifications on unaudited quarterly financial statements, audit issues, operations of the Group and internal audit reports. From time to time, other Senior Management and employees may attend the meetings upon invitation by the ARC.

Minutes of each ARC meeting were recorded and tabled for confirmation at the next ARC meeting, which shall then be tabled to the Board for notation in the same quarter of the Board Meeting. The ARC Chairman reports to the Board on activities undertaken and key recommendations for the Board’s consideration and decision.

The composition of the ARC is in compliance with Paragraphs 15.09 and 15.10 of the Bursa Malaysia Listing Requirements and adopts the Step Up Practice 9.4 under Principle B of the MCCG.

### TERMS OF REFERENCE OF THE ARC

The information on the Terms of Reference of the ARC was reviewed and approved by the Board on 20 November 2023 and is available on the Company’s website at [www.smis.com.my](http://www.smis.com.my).

# AUDIT AND RISK COMMITTEE REPORT

cont'd

## 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 FY2023:

### 1. Financial Reporting

- (a) Reviewed the quarterly unaudited financial results of the Group with the Executive Directors and Management 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 nature and scope of the audit plan. Met with the External Auditors twice without the presence of Executive Directors and Management.
- (b) Reviewed the overall performance of the External Auditors, including assessment of their independence, objectivity and effectiveness of the External Auditors and the services provided, including non-audit services and corresponding fees.
- (c) Reviewed and recommended the re-appointment of External Auditors and the Audit Fees to the Board for approval.
- (d) Reviewed the Statement on Risk Management and Internal Control to be published in the Annual Report.
- (e) 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.
- (f) 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 before recommending to the Board for approval, including the Key Audit Matters.
- (g) Reviewed the External Auditors Assessment Policy.

### 3. Internal Audit

- (a) Reviewed the adequacy of scope, competency and resources of the internal audit function. Met with the Internal Auditors twice 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.
- (f) Reviewed the overall performance of the Internal Auditors, including assessment of their independence, technical competency and sufficiency of its resources to carry out its work.

# AUDIT AND RISK COMMITTEE REPORT

cont'd

## 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 and potential conflict of interest situations 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 the Board's approval.

## 5. Ethical and Integrity Areas

The ARC reviewed any whistle-blowing cases for FY2023. However, the ARC did not receive any reports under the Whistle Blowing Policy for the period, which the ARC would take 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, Corporate Governance ("CG") Overview Statement, CG Report and Directors' Responsibility Statement in respect of the Audited Financial Statements for the FY2023 and ensured that these reports were prepared in accordance with the applicable requirements for inclusion in the Annual Report 2023 prior to the recommendation to the Board for adoption.
- (b) Reviewed the Circular/Statement 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 the 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 and Anti-Bribery and Anti-Corruption Policy pursuant to the latest amendments of Bursa Malaysia Listing Requirements prior to recommendation to the Board for adoption.

## INTERNAL AUDIT FUNCTION

The Group's internal audit function, which reports directly to the ARC, was outsourced to T.H. Kuan & Co.

During the financial year under review, the outsourced internal audit function carried out the following audit activities:

- (a) Prepared the risk based internal audit plan for the review and approval of the ARC.
- (b) Carried out reviews in accordance with the risk based internal audit plan reviewed and approved by the ARC. Details of the reviews carried out are as follows:

No.	Entities	Business Processes
1	Sanyco Grand Industries Sdn Bhd	i) Sales and order management ii) Procurement management iii) Account payable management
2	Sugihara Grand Industries Sdn Bhd	i) Sales and order management ii) Procurement management iii) Account payable management
3	Grand Carpet Industries Sdn Bhd	i) Sales and order management ii) Procurement management iii) Account payable management
4	PT Grand Sugihara Techno (Formerly known as PT Grand Surya Techno)	i) Sales and order management ii) Procurement management iii) Account payable management

## AUDIT AND RISK COMMITTEE REPORT

cont'd

Findings from the internal audit reviews conducted were discussed with Senior Management and subsequently presented, together with Management's response and proposed action plans, to the ARC for their review and approval at the quarterly ARC meeting. The outsourced internal audit function also carries out follow up review and reports to the ARC on the status of implementation of action plans pursuant to the recommendations highlighted in the internal audit reports.

Based on the internal audit reviews conducted, although a number of internal control deficiencies were identified during the reviews, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

The total professional fees paid for the outsourced internal audit function for the FY2023 was RM56,600 (FY2022 – RM38,300).

In addition, the Internal Auditors met the ARC on 22 August 2023 and 20 November 2023 without the executive members of the Board and Management team being present to discuss audit related matters. The Internal Auditors reported that there were no issues requiring their attention other than those reported in the audit findings.

### CONTINUOUS TRAINING DEVELOPMENT

To enable the ARC to fulfill their role effectively, all its members had attended various seminars and training programs during the year. Details of the trainings are disclosed in the CG Overview Statement in this Annual Report.

### EVALUATION OF THE ARC

Each ARC member had performed the self-evaluation assessment and the results were tabled to the NC for review and discussion prior to presenting the summary of assessment report to the Board for evaluation. The ARC members had carried out their duties and responsibilities in accordance with the Terms of Reference and the Board was satisfied with their performance throughout the FY2023.

This report is made in accordance with the approval of the Board of Directors dated 29 April 2024.

Statement on Risk Management  
**AND INTERNAL  
CONTROL**





# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of SMIS 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 FY2023. This Statement on Risk Management and Internal Control was made pursuant to Paragraph 15.26 (b), Practice Note 9 of Bursa Malaysia Listing Requirements and in accordance with Part II of Principle B of the MCCG and the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” endorsed by Bursa Malaysia.

## 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 that covers not only financial controls but also operational, organisational and compliance controls and reviewing the integrity, effectiveness and adequacy of these systems to determine the Group’s level of risk appetite and tolerance and actively identify, assess and monitor key business risks to ensure that the Group’s assets and the shareholders’ interests are safeguarded. Notwithstanding that, 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 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 Framework

The Board recognises that effective risk management practices are 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. As such, the Board has established an appropriate risk management framework to ensure key risks are identified and relevant controls are implemented to manage such risks.

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 risks such as finance, operations, regulatory compliance reputation, cyber security and sustainability were evaluated and deliberated and related mitigating responses are carried out at the periodic management meetings attended by the Executive Directors, Key Management staff and Heads of Department. Significant risks are communicated to the Board of Directors at its scheduled meetings, who are in consultation with the ARC. During the FY2023, 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 serve 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

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## 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, and the Chairman of the ARC is not the Chairman of the Board. They regularly review the risk management and internal control activities of the Group.
- 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 Internal Auditors.
- 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.
- The Carpet division within Automotive segment is reviewed and certified by ISO 9001:2015 and IATF 16949:2016 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. The said business division is also ISO14001 certified, 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.
- The Braking Component division within Automotive segment is reviewed and certified by ISO 9001:2015, IATF 16949:2016 and AS9100 (quality management system for the aerospace industry).
- The Machinery Spares segment is ISO 9001:2015 certified.

### INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional services firm to assist the Board and the ARC in providing an independent assessment of 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 FY2023, 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. In addition, follow-up visits were conducted to ensure that corrective actions have been implemented in a timely manner. A description of the internal audit function's activities during the FY2023 can be found in the ARC Report included in this Annual Report.

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 Directors 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 inclusion in the Annual Report of the Company for the FY2023 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement other than Audits or Reviews of Historical Financial Information and AAPG 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls included in the Annual Report. 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 paragraphs 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 April 2024.

# Directors' Responsibility **STATEMENT**



## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 (the "Act") to prepare the financial statements for the FY2023 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 SMIS Group as at 31 December 2023, and of the financial performance and cash flows of the SMIS Group for the FY2023.

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 SMIS Group kept proper accounting records which disclose with reasonable accuracy the financial position of the SMIS Group 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 to detect and prevent fraud and other irregularities.

A black and white photograph of a business meeting. Several people in business attire are seated around a table, looking at and writing on various financial documents, including spreadsheets and charts. The scene is brightly lit, and the focus is on the documents and the hands of the participants.

# Financial **STATEMENTS**

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## 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 2023.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries include manufacturing and trading of carpet of all descriptions, manufacturing of automotive braking components and motorcycle components, trading of machinery and industrial parts supplies and investment holding. There have been no significant changes in the nature of these principal activities during the financial year.

### RESULTS

	Group RM'000	Company RM'000
<b>Profit for the financial year, net of tax</b>	1,408	5,331
<b>Attributable to:</b>		
Owners of the Company	(385)	5,331
Non-controlling interests	1,793	-
	1,408	5,331

### DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2023.

### RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those 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 debt or the amount of 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 prepared, the directors took reasonable steps to ensure that any current assets 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 which they might be expected so to realise.

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 or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; and
- (ii) any contingent liabilities in respect of the Group or of the Company that has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or 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 or 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 within 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,

- (i) 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; and
- (ii) 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 new 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 127 of the Companies Act 2016 in Malaysia.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2023, the Company held treasury shares out of its total number of issued shares. Such treasury shares are held at a carrying amount of RM1,192,000. Further details are disclosed in Note 14 to the financial statements.

## 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\*  
Wern Li Morsingh  
Oei Kok Eong  
Tan Hock Soon

\* *Directors of the Company and certain subsidiaries*

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Masahiko Shimbara  
Robert Koong Yin Leong  
Shigeru Sugihara  
Soo Hak Min  
Masatsugu Izumi *(Appointed as Director on 21 December 2023)*  
Shunzo Ishii *(Appointed as Director on 21 December 2023)*  
Chen Te-San *(Ceased as Director on 28 June 2023)*  
Chen, Ting-Kuo *(Ceased as Director on 28 June 2023)*  
Tiang Soon Seong @ Ivan *(Ceased as Director on 9 March 2023 due to Exsilio Pte. Ltd. has been struck off from the Company Registrar of Singapore)*

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 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 were as follows:

	Number of ordinary shares			
	At 1.1.2023	Bought	Sold	At 31.12.2023
The Company				
<b>Direct interests</b>				
Ng Wai Kee	1,550,900	-	-	1,550,900
Yap Siew Foong	1,263,730	-	-	1,263,730
<b>Indirect interests</b>				
Yap Siew Foong*	15,680,000	-	-	15,680,000

\* *Shares held through a company in which the director has substantial financial interests.*

# DIRECTORS' REPORT

cont'd

## DIRECTORS' INTERESTS *cont'd*

By virtue of her interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Yap Siew Foong is deemed to have an interest in the ordinary shares of the subsidiaries 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 ordinary shares of the Company and its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as shown as below) 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.

The directors' benefit of the Group and the Company were as follow:

	Group RM'000	Company RM'000
<b>Director of the Company</b>		
Executive directors		
- Other emoluments	1,348	-
Non-executive directors		
- Fees	157	157
- Other emoluments	18	18
	175	175
<b>Director of the Subsidiaries</b>		
Executive directors		
- Other emoluments	837	-
	2,360	175

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is 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.

## INDEMNITY TO DIRECTORS AND KEY MANAGEMENT

During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the directors and key management of the Company were RM5,000,000 and RM10,500 respectively.

# DIRECTORS' REPORT

cont'd

## SUBSIDIARIES

The details of the Company's subsidiaries are disclosed are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2023 %	2022 %	
<b>Direct subsidiaries</b>				
Grand Carpet Industries Sdn. Bhd.	Malaysia	100	100	Trading of carpet of all descriptions
Sanyco Grand Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing of automotive braking components and motorcycle components
Machinery & Industrial Supplies Sdn. Bhd.	Malaysia	100	100	Trading of machinery and industrial parts supplies
Sugihara Grand Industries Sdn. Bhd.	Malaysia	60	60	Manufacturing and trading of carpet of all descriptions
Cendana Eksotik Sdn. Bhd.	Malaysia	100	100	Investment holding
PT Grand Sugihara Techno # (formerly known as PT Grand Surya Techno)	Indonesia	60	100	Manufacturing and selling of automotive floor carpet assy, trunk trims and luggage mats
<b>Direct subsidiary and indirect subsidiary held through Machinery &amp; Industrial Supplies Sdn. Bhd. &amp; Grand Carpet Industries Sdn. Bhd.</b>				
SMIS Grand Ventures Sdn. Bhd.	Malaysia	100	100	Investment holding
<b>Direct subsidiary and indirect subsidiary held through Machinery &amp; Industrial Supplies Sdn. Bhd.</b>				
Exsilio Pte. Ltd. *	Singapore	-	100	Investment holding
<b>Direct subsidiary and indirect subsidiary held through Machinery &amp; Industrial Supplies Sdn. Bhd.</b>				
PT Zusma Plastics #	Indonesia	100	100	Dormant

# DIRECTORS' REPORT

cont'd

## SUBSIDIARIES *cont'd*

The details of the Company's subsidiaries are disclosed are as follows: *cont'd*

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2023 %	2022 %	
<b><i>Indirect subsidiaries held through Machinery &amp; Industrial Supplies Sdn. Bhd.</i></b>				
Plaspoint Sdn. Bhd.	Malaysia	99.87	99.87	Dormant
<b><i>Indirect subsidiary held through SMIS Grand Ventures Sdn. Bhd. and Machinery &amp; Industrial Supplies Sdn. Bhd.</i></b>				
PT Sanyco Grand Indonesia <sup>^</sup>	Indonesia	100	100	Dormant
<b><i>Indirect subsidiary held through SMIS Grand Ventures Sdn. Bhd., Cendana Eksotik Sdn. Bhd. and Machinery &amp; Industrial Supplies Sdn. Bhd.</i></b>				
PT Grand Ventures Hartamas <sup>#</sup>	Indonesia	100	100	Investment holding

<sup>#</sup> Audited by an independent member firm of Baker Tilly International

<sup>\*</sup> The subsidiary has been struck off during the financial year.

<sup>^</sup> Not required to be audited in its country of incorporation. The management accounts have been reviewed for consolidation purpose.

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

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The details of significant events during the financial year and subsequent to the end of the financial year are disclosed in Note 27 to the financial statements.

## AUDITORS' REMUNERATION AND INDEMNITY

The auditors' remuneration of the Group and the Company during the financial year were RM227,600 and RM49,500 respectively.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

# DIRECTORS' REPORT

cont'd

## AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, 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 April 2024

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	27,976	27,048	-	-
Right-of-use assets	6	16,229	12,947	-	-
Investment properties	7	-	-	-	-
Investment in subsidiaries	8	-	-	67,805	69,280
Deferred tax assets	9	5	23	-	-
<b>Total non-current assets</b>		<b>44,210</b>	<b>40,018</b>	<b>67,805</b>	<b>69,280</b>
<b>Current assets</b>					
Inventories	10	23,240	22,852	-	-
Tax recoverable		348	805	1	-*
Trade and other receivables	11	25,195	30,330	1,510	5
Prepayments		708	937	-	-
Cash and short term deposits	12	38,385	25,028	6,611	1,597
<b>Total current assets</b>		<b>87,876</b>	<b>79,952</b>	<b>8,122</b>	<b>1,602</b>
<b>TOTAL ASSETS</b>		<b>132,086</b>	<b>119,970</b>	<b>75,927</b>	<b>70,882</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to the owners of the Company</b>					
Share capital	13	49,691	49,691	49,691	49,691
Treasury shares	14	(1,192)	(1,192)	(1,192)	(1,192)
Reserves	15	30,356	24,174	19,471	14,140
		78,855	72,673	67,970	62,639
Non-controlling interests		18,229	14,969	-	-
<b>TOTAL EQUITY</b>		<b>97,084</b>	<b>87,642</b>	<b>67,970</b>	<b>62,639</b>

\* Represented by amount less than RM1,000.

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

cont'd

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Non-current liabilities</b>					
Loans and borrowings	16	2,818	3,246	-	-
Lease liabilities	6	2,545	313	-	-
Deferred tax liabilities	9	511	823	-	-
Provision for post-employment benefit	17	74	59	-	-
<b>Total non-current liabilities</b>		<b>5,948</b>	<b>4,441</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Loans and borrowings	16	428	428	-	-
Lease liabilities	6	858	393	-	-
Trade and other payables	18	27,248	27,066	7,957	8,243
Tax payables		520	-	-	-
<b>Total current liabilities</b>		<b>29,054</b>	<b>27,887</b>	<b>7,957</b>	<b>8,243</b>
<b>TOTAL LIABILITIES</b>		<b>35,002</b>	<b>32,328</b>	<b>7,957</b>	<b>8,243</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>132,086</b>	<b>119,970</b>	<b>75,927</b>	<b>70,882</b>

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

# STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	19	159,786	154,399	287	-
Cost of sales		(139,874)	(133,919)	-	-
<b>Gross profit</b>		<b>19,912</b>	<b>20,480</b>	<b>287</b>	<b>-</b>
Other operating income		685	20,219	5	-
Administrative and distribution expenses		(13,493)	(13,728)	(582)	(4,329)
Other operating expenses		(4,046)	(4,118)	-*	(116)
Net impairment (loss)/gain of financial instruments		(12)	-*	5,621	(3,858)
<b>Operating profit/(loss)</b>	20	<b>3,046</b>	<b>22,853</b>	<b>5,331</b>	<b>(8,303)</b>
Finance income		204	21	-	-
Finance costs	21	(226)	(602)	-	-
<b>Profit/(Loss) before tax</b>		<b>3,024</b>	<b>22,272</b>	<b>5,331</b>	<b>(8,303)</b>
Income tax expense	22	(1,616)	(2,624)	-	-*
<b>Profit/(Loss) for the financial year</b>		<b>1,408</b>	<b>19,648</b>	<b>5,331</b>	<b>(8,303)</b>
<b>Other comprehensive income/(loss) for the financial year, net of tax</b>					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations		1,125	(421)	-	-
<b>Total comprehensive income/(loss) for the financial year</b>		<b>2,533</b>	<b>19,227</b>	<b>5,331</b>	<b>(8,303)</b>
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(385)	18,453	5,331	(8,303)
Non-controlling interests		1,793	1,195	-	-
		<b>1,408</b>	<b>19,648</b>	<b>5,331</b>	<b>(8,303)</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		726	18,032	5,331	(8,303)
Non-controlling interests		1,807	1,195	-	-
		<b>2,533</b>	<b>19,227</b>	<b>5,331</b>	<b>(8,303)</b>
<b>Basic (loss)/earnings per share (sen)</b>	23	(0.91)	43.77		
<b>Diluted (loss)/earnings per share (sen)</b>	23	(0.91)	43.77		

\* Represented by amount less than RM1,000.

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



# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2023

Group	Attributable to the Owners of the Company						Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	
<b>At 1 January 2023</b>	49,691	(1,192)	(764)	24,938	72,673	14,969	87,642
Loss/Profit for the financial year	-	-	-	(385)	(385)	1,793	1,408
Other comprehensive income for the financial year	-	-	1,111	-	1,111	14	1,125
<b>Total comprehensive income/(loss) for the financial year</b>	-	-	1,111	(385)	726	1,807	2,533
<b>Transaction with owners of the Company</b>							
Dividend paid on shares	-	-	-	-	-	(191)	(191)
Changes in ownership interests in subsidiaries	-	-	-	5,456	5,456	1,644	7,100
<b>Total transaction with owners of the Company</b>	-	-	-	5,456	5,456	1,453	6,909
<b>At 31 December 2023</b>	49,691	(1,192)	347	30,009	78,855	18,229	97,084
<b>At 1 January 2022</b>	49,691	(1,192)	(343)	6,483	54,639	13,776	68,415
Profit for the financial year	-	-	-	18,453	18,453	1,195	19,648
Other comprehensive (loss)/income for the financial year	-	-	(421)	-	(421)	-*	(421)
<b>Total comprehensive (loss)/income for the financial year</b>	-	-	(421)	18,453	18,032	1,195	19,227
<b>Transaction with owners of the Company</b>							
Changes in ownership interests in subsidiaries	-	-	-	2	2	(2)	-
<b>Total transaction with owners of the Company</b>	-	-	-	2	2	(2)	-
<b>At 31 December 2022</b>	49,691	(1,192)	(764)	24,938	72,673	14,969	87,642

\* Represented by amount less than RM1,000.

## STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2023  
cont'd

Company	← Attributable to the Owners of the Company →			
	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2022</b>	49,691	(1,192)	22,443	70,942
Loss and total comprehensive loss for the financial year	-	-	(8,303)	(8,303)
<b>At 31 December 2022</b>	49,691	(1,192)	14,140	62,639
Profit and total comprehensive income for the financial year	-	-	5,331	5,331
<b>At 31 December 2023</b>	49,691	(1,192)	19,471	67,970

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

# STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Profit/(loss) before tax		3,024	22,272	5,331	(8,303)
<b>Adjustments for:</b>					
Depreciation of:					
- investment properties		-	6	-	-
- property, plant and equipment		5,736	5,911	-	-
- right-of-use assets		1,489	1,350	-	-
Finance income		(204)	(21)	-	-
Finance costs		226	602	-	-
Gain on disposal of:					
- property, plant and equipment & right-of-use asset		(167)	(17,198)	-	-
- investment properties		-	(402)	-	-
- equity interests in subsidiary		-	-	(4)	-
Impairment loss on:					
- other receivable		-	-	-	-
- trade receivable		52	-	-	-
- investment in a subsidiary		-	-	28	4,321
Inventories written-down		317	1,907	-	-
Reversal of inventories written down		(1,075)	(2,558)	-	-
Reversal of impairment loss on:					
- amount owing from subsidiaries		-	-	(5,649)	(463)
Unrealised loss/(gain) on foreign exchange		272	(229)	-	2
Written off on:					
- property, plant & equipment		37	-	-	-
- inventories		-	221	-	-
- amount owing from subsidiaries		-	-	-	3,712
<b>Operating profit/(loss) before changes in working capital, carried forward</b>		<b>9,707</b>	<b>11,861</b>	<b>(294)</b>	<b>(731)</b>

\* Represented by amount less than RM1,000.

# STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2023  
cont'd

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES: <i>cont'd</i></b>					
<b>Operating profit/(loss) before changes in working capital, brought forward</b>		9,707	11,861	(294)	(731)
Changes in working capital:					
Inventories		369	(1,090)	-	-
Receivables		5,301	(1,125)	(1,505)	(6,707)
Payables		(3)	(3,095)	(574)	8,033
Provision for post-employment benefit		12	14	-	-
Cash flows generated from/(used in) operating activities		15,386	6,565	(2,373)	595
Interest paid		(226)	(54)	-	-
Tax paid		(933)	(2,246)	_*	_*
<b>Net cash generated from/(used in) operating activities</b>		14,227	4,265	(2,373)	595
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Acquisition of property, plant and equipment		(7,055)	(4,527)	-	-
Dividend income		-	-	287	-
Interest received		204	21	-	-
Proceeds from disposal of:					
- property, plant and equipment & right-of-use asset		648	20,724	-	-
- investment properties		-	1,450	-	-
Acquisition of interest in subsidiaries		-	-	-	(1,020)
Proceeds from disposal of equity interest in subsidiary		7,100	-	7,100	-
<b>Net cash generated from/(used in) investing activities</b>		897	17,668	7,387	(1,020)

\* Represented by amount less than RM1,000.

## STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2023  
cont'd

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Dividend paid to Non-controlling interests		(191)	-	-	-
Interest paid on borrowings		-	(548)	-	-
Net payment of lease liabilities	(a)	(1,327)	(937)	-	-
Repayment of revolving credit	(a)	-	(8,922)	-	-
Repayment of term loan	(a)	(428)	(428)	-	-
<b>Net cash used in financing activities</b>		<b>(1,946)</b>	<b>(10,835)</b>	<b>-</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>		<b>13,178</b>	<b>11,098</b>	<b>5,014</b>	<b>(425)</b>
<b>Effect of exchange rate changes</b>		<b>179</b>	<b>(37)</b>	<b>-</b>	<b>(2)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>25,028</b>	<b>13,967</b>	<b>1,597</b>	<b>2,024</b>
<b>Cash and cash equivalents at the end of the financial year</b>		<b>38,385</b>	<b>25,028</b>	<b>6,611</b>	<b>1,597</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>					
Deposits placed with a licensed bank	12	6,055	-	-	-
Cash and bank balances	12	32,330	25,028	6,611	1,597
		<b>38,385</b>	<b>25,028</b>	<b>6,611</b>	<b>1,597</b>

(a) Reconciliation of liabilities arising from financing activities:

	At 1 January RM'000	Net Cash flows RM'000	Addition RM'000	Termination RM'000	Foreign exchange movement RM'000	At 31 December RM'000
<b>Group</b>						
<b>2023</b>						
Term loan	3,674	(428)	-	-	-	3,246
Lease liabilities	706	(1,327)	4,045	-	(21)	3,403
<b>2022</b>						
Term loan	4,102	(428)	-	-	-	3,674
Revolving credit	8,922	(8,922)	-	-	-	-
Lease liabilities	839	(937)	800	-	4	706

(b) Total cash outflows for leases

During the financial year, the Group had a total cash outflows for leases of RM1,828,000 (2022: RM 1,549,000).

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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

The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 3, Jalan Pemaju U1/15, Seksyen U1, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan.

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

The financial statements were approved and authorised for issue by the Board of Directors on 29 April 2024.

## 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 2016 in Malaysia.

### 2.2 Adoption of new MFRS and amendments to MFRSs

The Group and the Company have adopted the following applicable new MFRS and amendments to MFRSs for the current financial year:

#### New MFRS

MFRS 17	Insurance Contracts
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#### Amendments to MFRSs

MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 112	Income Taxes

The adoption of the above new MFRS and amendments 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 except as discussed below:

#### ***Amendments to MFRS 101 Presentation of Financial Statements***

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements.

Accordingly, the Group and the Company disclosed their material accounting policy information in these financial statements. However, the amendments did not result in changes to the accounting policies of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 2. BASIS OF PREPARATION *cont'd*

### 2.3 Amendments to MFRSs that have been issued, but yet to be effective

- (a) The Group and the Company have not adopted the following amendments to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>Amendments to MFRSs</u>		
MFRS 7	Financial Instruments: Disclosures	1 January 2024
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2024
MFRS 121	The Effects of Changes in Foreign Exchange Rate	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

- (b) The Group and the Company plan to adopt the above applicable amendments to MFRSs when they become effective. A brief discussion on the above significant amendments to MFRSs that may be applicable to the Group and the Company are summarised below.

#### ***Amendments to MFRS 101 Presentation of Financial Statements***

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

### 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 have 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.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

Unless otherwise stated, the following material accounting policy information 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

#### (a) Subsidiaries and business combination

The Group applies the acquisition method to account for business combinations from the acquisition date when the acquired set of activities meets the definition of a business and control is transferred to the Group.

#### (b) Non-controlling interests

At the acquisition date, components of non-controlling interests of the Group are measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

### 3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

### 3.3 Financial instruments

#### Financial assets – subsequent measurement and gains and losses

##### Debt instruments at amortised cost

The Group and the Company subsequently measure these assets at amortised cost under the effective interest method. The carrying amount is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### Financial liabilities – subsequent measurement and gains and losses

The Group and the Company classify the financial liabilities at amortised cost.

The Group and the Company subsequently measure other financial liabilities at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *cont'd*

### 3.4 Property, plant and equipment

Property, plant and equipment other than right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment (other than right-of-use assets as disclosed in Note 3.5) are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	20 - 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

### 3.5 Leases

#### (a) Lessee accounting

The Group presents right-of-use assets and lease liabilities as separate lines in the statements of financial position.

##### Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Accordingly, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

##### Right-of-use assets

The right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

##### Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

#### (b) Lessor accounting

The Group recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term as part of revenue. Rental income from sublease properties which recognise as other income.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 3. MATERIAL ACCOUNTING POLICY INFORMATION *cont'd*

### 3.6 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, consumables and 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.
- 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.

### 3.7 Revenue and other income

#### (a) Sale of goods – manufacturing

The Group manufactures and trades carpets of all descriptions, automotive braking components, motorcycle components, machinery parts, industrial parts supplies, automotive floor carpet assy, trunk trims and luggage mats to customer. Revenue from sale of manufactured goods is recognised as a point in time when control of the goods has been transferred, being when the customers accepts the delivery of the goods.

Sales are made with a credit term of 30 days to 180 days, which is consistent with market practice, therefore, no element of financing is deemed present.

Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience with the customer's purchasing pattern is used to estimate and provide for the discounts, using the expected value method. The Group uses the expected value method because it is the method that the Group expects to better predict the estimated volume discounts to which it will be provided to the customers. The estimated volume discounts recognised is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group's customary business practice is to allow a customer to return any defected product and receive a full refund. The Group uses its experience in estimating returns for this product and customer class. The Group uses the expected value method because it is the method that the Group expects to better predict the amount of consideration to which the products will be refunded. With that, upon transfer the control of the product, the Group does not recognise revenue for products that it is highly probable to be returned.

#### (b) Rental income

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

#### (c) Dividend income from subsidiaries

Dividend income from subsidiaries is recognised when right to receive payment is established.

#### (d) Interest income

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

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 disclosure 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 that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

### Inventories

Inventories are measured at the lower of cost and net realisable value. The review of valuation of these inventories at lower of cost and net realisable value by the directors would result in uncertain estimation in value.

The carrying amount of the Group's inventories is disclosed in Note 10 to the financial statements.

## 5. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings and renovations RM'000	Motor vehicles RM'000	Moulds and jigs RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost</b>									
At 1 January 2022		5,047	17,226	68,183	16,624	2,012	21,548	1,627	132,267
Additions		-	-	1,396	400	-	868	1,863	4,527
Disposals/ Written off		-	(2,769)	(10,599)	(3,719)	(36)	(2,222)	(613)	(19,958)
Reclassification		-	-	-	758	-	491	(728)	521
Exchange differences		-	(11)	(144)	(29)	(5)	(44)	(22)	(255)
At 31 December 2022		5,047	14,446	58,836	14,034	1,971	20,641	2,127	117,102
Additions		-	-	2,816	506	280	756	2,697	7,055
Disposals/ Written off		-	-	(242)	(127)	(4)	(10)	(261)	(644)
Exchange differences		-	17	193	39	7	62	28	346
At 31 December 2023		5,047	14,463	61,603	14,452	2,254	21,449	4,591	123,859

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Group	Note	Land RM'000	Buildings RM'000	Plant and machineries RM'000	Office equipment, furniture and fittings and renovations RM'000	Motor vehicles RM'000	Moulds and jigs RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Accumulated depreciation</b>									
At 1 January 2022		-	7,463	55,031	15,844	1,631	19,162	-	99,131
Depreciation for the financial year		-	329	3,317	393	150	1,722	-	5,911
Disposals/ Written off		-	(1,477)	(10,417)	(3,666)	(31)	(2,222)	-	(17,813)
Reclassification		-	-	-	521	-	-	-	521
Exchange differences		-	(3)	(87)	(35)	(5)	(42)	-	(172)
At 31 December 2022		-	6,312	47,844	13,057	1,745	18,620	-	87,578
Depreciation for the financial year		-	292	3,313	384	162	1,585	-	5,736
Disposals/ Written off		-	-	-	(122)	(4)	-	-	(126)
Exchange differences		-	4	117	31	7	60	-	219
At 31 December 2023		-	6,608	51,274	13,350	1,910	20,265	-	93,407
<b>Accumulated impairment loss</b>									
At 1 January/31 December		-	-	2,244	208	-	24	-	2,476
<b>Carrying amounts</b>									
At 31 December 2022		5,047	8,134	8,748	769	226	1,997	2,127	27,048
At 31 December 2023		5,047	7,855	8,085	894	344	1,160	4,591	27,976

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 5. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Company	Office equipment RM'000
<b>Cost</b>	
At 1 January 2022/31 December 2022	9
Written off	(9)
At 31 December 2023	-
<b>Accumulated depreciation</b>	
At 1 January 2022/31 December 2022	9
Written off	(9)
At 31 December 2023	-
<b>Carrying amounts</b>	
At 1 January 2022/31 December 2023	-

### 5.1 Assets pledged as security

Freehold land and buildings of the Group with carrying amounts of RM6,686,000 (2022: RM9,652,000) have been pledged to licensed banks as security for banking facilities granted to subsidiaries as disclosed in Note 16 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group recognises right-of-use assets and lease liabilities with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

### Right-of-use assets

The Group lease several assets including leasehold land, buildings, land use rights, computers and plant and machinery.

Information about leases for which the Group are lessee is presented below:

Group	Leasehold land RM'000	Buildings RM'000	Land use rights RM'000	Computers RM'000	Plant and machinery RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2022	2,583	1,928	13,582	777	73	18,943
Additions	-	800	-	-	-	800
Disposals	(1,123)	-	-	-	-	(1,123)
Reclassification	-	-	-	(521)	-	(521)
Exchange differences	-	(73)	(358)	-	-	(431)
At 31 December 2022	1,460	2,655	13,224	256	73	17,668
Additions	-	4,045	-	-	-	4,045
Derecognition	-	(1,976)	-	-	-	(1,976)
Exchange differences	-	92	730	-	-	822
At 31 December 2023	1,460	4,816	13,954	256	73	20,559
<b>Accumulated depreciation</b>						
At 1 January 2022	1,049	1,121	1,902	475	51	4,598
Depreciation for the financial year	29	701	423	180	17	1,350
Disposals	(647)	-	-	-	-	(647)
Reclassification	-	-	-	(521)	-	(521)
Exchange differences	-	(42)	(17)	-	-	(59)
At 31 December 2022	431	1,780	2,308	134	68	4,721
Depreciation for the financial year	18	950	431	85	5	1,489
Derecognition	-	(1,976)	-	-	-	(1,976)
Exchange differences	-	98	(2)	-	-	96
At 31 December 2023	449	852	2,737	219	73	4,330
<b>Carrying amounts</b>						
At 31 December 2022	1,029	875	10,916	122	5	12,947
At 31 December 2023	1,011	3,964	11,217	37	-	16,229

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *cont'd*

#### Right-of-use assets *cont'd*

##### (i) Lease term

The leasehold land and building generally have lease term between 30 to 99 years.

The Group has land used rights over two plots of state-owned land in Republic of Indonesia, with tenure of 37 years and 32 years respectively.

Plant and machinery and computers have lease terms between 1 to 3 years (2022: 1 to 3 years).

#### Lease liabilities

	2023 RM'000	2022 RM'000
Current	858	393
Non-current	2,545	313
	3,403	706

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	2023 RM'000	2022 RM'000
Minimum lease payments:		
Not later than one year	1,245	412
Later than one year and not later than 5 years	2,772	320
	4,017	732
Less: future finance charges	(614)	(26)
Present value of minimum lease payments	3,403	706
Present value of minimum lease payments:		
Not later than one year	858	393
Later than one year and not later than 5 years	2,545	313
	3,403	706
Less: amount due within 12 months	(858)	(393)
Amount due after 12 months	2,545	313

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *cont'd*

### Lease liabilities *cont'd*

The information about the maturity analysis is disclosed in Note 26(b)(ii) to the financial statements.

	2023	2022
	RM'000	RM'000
<b>Recognised in profit or loss:</b>		
Interest expenses on lease liabilities (included in finance cost)	26	70
Expenses relating to short-term leases (included in cost of sales and administrative and distribution expenses)	251	573
Expenses relating to leases of low value assets that are not shown above as short-term leases (included in cost of sales and administrative and distribution expenses)	80	39

## 7. INVESTMENT PROPERTIES

	Group 2022 RM'000
<b>Cost</b>	
At 1 January	1,190
Disposals	(1,190)
At 31 December	-
<b>Accumulated depreciation</b>	
At 1 January	197
Depreciation for the financial year	6
Disposals	(203)
At 31 December	-
<b>Accumulated impairment loss</b>	
At 1 January	-
Reversal of impairment loss	-
At 31 December	-
<b>Carrying amounts</b>	
At 31 December	-

Investment properties of the Group comprises of two shop offices. The investment properties are leased to third parties. The leases are renewable on a yearly basis.



## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 7. INVESTMENT PROPERTIES *cont'd*

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

	Group 2022 RM'000
Rental income	12
Direct operating expenses:	
- income generating investment properties	2
	2

### 8. INVESTMENT IN SUBSIDIARIES

	Company	
	2023 RM'000	2022 RM'000
<b>Cost</b>		
<b>Unquoted shares</b>		
At 1 January/31 December	81,665	97,980
<b>Accumulated impairment</b>		
At 1 January	28,700	24,379
Impairment loss for the financial year	28	4,321
Reversal/Written off	(14,868)	-
At 31 December	13,860	28,700
<b>Carrying amounts</b>		
At 31 December	67,805	69,280

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2023 %	2022 %	
<b>Direct subsidiaries</b>				
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

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 8. INVESTMENT IN SUBSIDIARIES *cont'd*

Details of the subsidiaries are as follows: *cont'd*

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2023 %	2022 %	
<b>Direct subsidiaries <i>cont'd</i></b>				
Sugihara Grand Industries Sdn. Bhd.	Malaysia	60	60	Manufacturing and trading of carpet of all descriptions
Cendana Eksotik Sdn. Bhd.	Malaysia	100	100	Investment holding
PT Grand Sugihara (formerly known as PT Grand Surya Techno)	Indonesia	60	100	Manufacturing and selling of automotive floor carpet assy, trunk trims and luggage mats
<b>Direct subsidiary and indirect subsidiary held through Machinery &amp; Industrial Supplies Sdn. Bhd. &amp; Grand Carpet Industries Sdn. Bhd.</b>				
SMIS Grand Ventures Sdn. Bhd.	Malaysia	100	100	Investment holding
<b>Direct subsidiary and indirect subsidiary held through Machinery &amp; Industrial Supplies Sdn. Bhd.</b>				
Exsilio Pte. Ltd. *	Singapore	-	100	Investment holding
<b>Direct subsidiary and indirect subsidiary held through Machinery &amp; Industrial Supplies Sdn. Bhd.</b>				
PT Zusma Plastics #	Indonesia	100	100	Dormant
<b>Indirect subsidiaries held through Machinery &amp; Industrial Supplies Sdn. Bhd.</b>				
Plaspoint Sdn. Bhd.	Malaysia	99.87	99.87	Dormant

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 8. INVESTMENT IN SUBSIDIARIES *cont'd*

Details of the subsidiaries are as follows: *cont'd*

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2023 %	2022 %	
<i>Indirect subsidiary held through SMIS Grand Ventures Sdn. Bhd. and Machinery &amp; Industrial Supplies Sdn. Bhd.</i>				
PT Sanyco Grand Indonesia <sup>^</sup>	Indonesia	100	100	Dormant
<i>Indirect subsidiary held through SMIS Grand Ventures Sdn. Bhd., Cendana Ekstik Sdn. Bhd. and Machinery &amp; Industrial Supplies Sdn. Bhd.</i>				
PT Grand Ventures Hartamas <sup>#</sup>	Indonesia	100	100	Investment holding

<sup>#</sup> Audited by an independent member firm of Baker Tilly International

<sup>\*</sup> The subsidiary has been struck off during the financial year.

<sup>^</sup> Not required to be audited in its country of incorporation. The management accounts have been reviewed for consolidation purpose.

**(a) Disposal of 216,589 ordinary shares, representing 5% of the total issued share capital in PT Grand Sugihara Techno (formerly known as PT Grand Surya Techno) ("PT GST") by the Company.**

On 13 January 2023, the Company had entered into a Shares Sell and Purchase Agreement with Sugihara Co. Ltd. For the disposal of 216,589 ordinary shares, representing 5% of the total issued share capital in PT GST, for a total consideration of USD197,858 (equivalent to RM891,746) ("the Disposal"). Following the Disposal, PT GST became a 95.0%-owned subsidiary of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 8. INVESTMENT IN SUBSIDIARIES *cont'd*

**(b) Disposal of 1,516,120 ordinary shares, representing 35% of the total issued share capital in PT GST by the Company.**

On 21 December 2023, the Company had entered into a Shares Sell and Purchase Agreement with Sugihara Co. Ltd. For the disposal of 1,516,120 ordinary shares, representing 35% of the total issued share capital in PT GST, for a total consideration of USD1,370,646 (equivalent to RM6,209,026) ("the Disposal"). Following the Disposal, PT GST became a 60.0%-owned subsidiary of the Company.

Effect of the increase in the Company's ownership interest is as follows:

	RM'000
Fair value of consideration transferred	7,100
Change in share of net assets	(1,644)
Excess charged directly to equity	5,456

#### 8.1 Non-controlling interests in subsidiaries

The financial information of the Group's subsidiaries and the Company's subsidiaries that have material non-controlling interests ("NCI") are as follows:

Name of subsidiary	Country of incorporation	Effective ownership interest	
		2023 %	2022 %
Sugihara Grand Industries Sdn. Bhd.	Malaysia	40%	40%
PT Grand Sugihara Techno	Indonesia	40%	-

Carrying amounts of non-controlling interests

Name of subsidiaries	Country of incorporation	2023 RM'000	2022 RM'000
Sugihara Grand Industries Sdn. Bhd.	Malaysia	16,613	14,973
PT Grand Sugihara Techno	Indonesia	1,619	-
Others		(3)	(4)
		18,229	14,969

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 8. INVESTMENT IN SUBSIDIARIES *cont'd*

### 8.1 Non-controlling interests in subsidiaries *cont'd*

Total comprehensive income/(loss) allocated to non-controlling interests

Name of subsidiaries	Country of incorporation	2023	2022
		RM'000	RM'000
Sugihara Grand Industries Sdn. Bhd.	Malaysia	1,832	1,195
PT Grand Sugihara Techno	Indonesia	(25)	-
Others		_*	_*
		1,807	1,195

\* Represented by amount less than RM1,000.

### 8.2 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.	
	2023	2022
	RM'000	RM'000
<b>Summarised statements of financial position</b>		
<b>At 31 December</b>		
Non-current assets	13,724	15,572
Current assets	44,514	37,753
Non-current liabilities	(2,971)	(3,790)
Current liabilities	(13,845)	(12,215)
Net assets	41,422	37,320
<b>Summarised statements of comprehensive income</b>		
<b>Financial year ended 31 December</b>		
Revenue	90,233	78,054
Profit for the financial year	4,580	2,987
Total comprehensive income	4,580	2,987
<b>Summarised cash flows information</b>		
<b>Financial year ended 31 December</b>		
Cash flows generated from operating activities	6,292	5,224
Cash flows used in investing activities	(1,961)	(2,169)
Cash flows used in financing activities	(1,054)	(699)
Net increase in cash and cash equivalents	3,277	2,356
Dividends paid to non-controlling interests	(191)	-

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 8. INVESTMENT IN SUBSIDIARIES *cont'd*

### 8.2 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*

	PT Grand Sugihara Techno 2023 RM'000
<b>Summarised statements of financial position</b>	
<b>At 31 December</b>	
Non-current assets	8,922
Current assets	6,462
Non-current liabilities	(2,295)
Current liabilities	(9,054)
Net assets	4,035
<b>Summarised statements of comprehensive income</b>	
<b>Financial year ended 31 December</b>	
Revenue	20,283
Loss for the financial year	(820)
Total comprehensive loss	(553)
<b>Summarised cash flows information</b>	
<b>Financial year ended 31 December</b>	
Cash flows generated from operating activities	4,952
Cash flows used in investing activities	(3,901)
Cash flows used in financing activities	(863)
Net increase in cash and cash equivalents	189
Dividends paid to non-controlling interests	-

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 9. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group	
	2023	2022
	RM'000	RM'000
Deferred tax assets	5	23
Deferred tax liabilities	(511)	(823)
	(506)	(800)

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

	Group	
	2023	2022
	RM'000	RM'000
At 1 January	(800)	(250)
Recognised in profit or loss (Note 22)		
- temporary differences between net carrying amounts and the corresponding tax written down values of assets	379	(1,370)
- other deductible temporary differences	(85)	820
	294	(550)
At 31 December	(506)	(800)

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

	Group	
	2023	2022
	RM'000	RM'000
<b>Deferred tax assets</b>		
Deferred tax assets (before offsetting)		
- unutilised capital allowance	76	127
- other deductible temporary differences	-	878
	76	1,005
Offsetting	(71)	(982)
Deferred tax assets (after offsetting)	5	23

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

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

	Group	
	2023	2022
	RM'000	RM'000
<b>Deferred tax liabilities</b>		
Deferred tax liabilities (before offsetting)		
- temporary differences between net carrying amounts and the corresponding tax written down values of assets	(582)	(1,805)
Offsetting	71	982
Deferred tax liabilities (after offsetting)	(511)	(823)

### Unrecognised deferred tax assets

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

	Group	
	2023	2022
	RM'000	RM'000
Unutilised business losses	10,120	10,349
Unutilised capital allowances	1,556	870
Other taxable temporary differences	(2,772)	(2,468)
	8,904	8,751
Potential deferred tax assets not recognised at 24% (2022: 24%)	2,137	2,100

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia and Indonesia are subject to requirements under Income Tax Act, 1967 and Indonesia Income Tax Article respectively as well as guidelines issued by the tax authority.



## NOTES TO THE FINANCIAL STATEMENTS

cont'd

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

The unused tax losses are available for utilisation up to the following financial years:

	Group	
	31.12.2023	31.12.2022
	RM'000	RM'000
2023	-	1,344
2024	1,712	1,620
2025	1,737	1,644
2026	1,355	1,283
2028	3,012	2,171
2029	1,621	1,621
2030	216	199
2031	112	112
2032	355	355
	10,120	10,349

### 10. INVENTORIES

	Group	
	2023	2022
	RM'000	RM'000
<b>At lower of cost and net realisable value</b>		
Raw materials	12,534	12,966
Work-in-progress	2,093	2,365
Manufactured goods	3,401	2,217
Trading goods	3,833	4,142
Consumables	1,379	1,162
	23,240	22,852

	Group	
	2023	2022
	RM'000	RM'000
<u>Recognised in profit or loss:</u>		
Inventories recognised as cost of sales	98,725	97,364
Inventories written-off	-	221
Inventories written down	317	1,907
Reversal of inventories written down	(1,075)	(2,558)

The cost of inventories of the Group recognised as an expense in cost of sales in respect of write-down of inventories to net realisable value was RM317,000 (2022: RM1,907,000) in view of the aged inventories.

During the financial year, the Group reversed the previous inventories with written down value of RM1,075,000 (2022: RM2,558,000) as a result of sales made on these inventories. The amount of reversal was included in the cost of sales.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 11. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Current</b>					
<b>Trade</b>					
Trade receivables	(a)	23,421	28,612	-	-
Less: Impairment losses		(494)	(442)	-	-
		22,927	28,170	-	-
<b>Non-trade</b>					
Other receivables		6,596	6,614	-	-
Less: Impairment losses		(5,064)	(5,064)	-	-
		1,532	1,550	-	-
Deposits		736	610	-	-
Amount owing from subsidiaries	(b)	-	-	2,384	879
Less: Impairment losses		-	-	(874)	(874)
		-	-	1,510	5
Trade and other receivables (Non-current and current)		25,195	30,330	1,510	5

(a) Trade receivables are non-interest bearing and the credit terms of trade receivables offered by the Group range from 30 to 180 days (2022: 30 to 180 days).

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

## 12. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deposits placed with a licensed bank	6,055	-	-	-
Cash and bank balances	32,330	25,028	6,611	1,597
	38,385	25,028	6,611	1,597

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 13. SHARE CAPITAL

	Group and Company			
	Number of ordinary share		Amount	
	2023	2022	2023	2022
	Unit'000	Unit'000	RM'000	RM'000
<b>Issued and fully paid up (no par value):</b>				
At 1 January/31 December	44,800	44,800	49,691	49,691

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. All ordinary shares rank equally with regards to the Company's residual assets. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

## 14. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The Company's share buyback scheme was approved by the Company's shareholders in the Annual General Meeting held on 29 May 2023 for the Company to repurchase 10% of its issued ordinary shares. The directors of the Company believe that the repurchase plan is applied in the best interests of the Company and its shareholders. The mandate for share buybacks was renewed in each subsequent Annual General Meeting of shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

At 31 December 2023, 2,637,000 (2022: 2,637,000) units of the Company's shares are being held as treasury shares. The number of outstanding ordinary shares in issue after set off is 42,163,000 (2022: 42,163,000).

## 15. RESERVES

	Note	Group		Company	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
<b>Non-distributable</b>					
Foreign currency translation reserve	(a)	347	(764)	-	-
<b>Distributable</b>					
Retained earnings	(b)	30,009	24,938	19,471	14,140
		30,356	24,174	19,471	14,140

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 15. RESERVES *cont'd*

### (a) 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.

### (b) Retained earnings

As at 31 December 2023, the Company is able to distribute the retained earnings under the single tier system.

## 16. LOANS AND BORROWINGS

	Group	
	2023 RM'000	2022 RM'000
<b>Non-current</b>		
Term loan	2,818	3,246
<b>Current</b>		
Term loan	428	428
<b>Total loans and borrowings</b>		
Term loan	3,246	3,674

### Term loan

The term loan bears interest rates at 4.47% to 4.72% (2022: 3.47% to 4.47%) per annum and repayable by 180 monthly installments of RM36,000 (2022: RM36,000).

The term loan is secured by way of:

- (i) first party all monies charge and specific debentures created over freehold land and building of the Group as disclosed in Note 5 to the financial statements;
- (ii) corporate guarantee issued by the Company.

## 17. PROVISION FOR POST-EMPLOYMENT BENEFIT

The Indonesian government has officially signed Law No. 6/2023 concerning the Job Creation ("UU Cipta Kerja") in March 2023. The government officially ratified the implementing regulations for the Job Creation Law including Government Regulation No. 35/2021 concerning the certain time work agreement, outsourcing, working time and rest periods, and termination of employment promulgated and enforced on 2 February 2021.

The latest actuarial valuation upon the estimated liabilities for post-employment benefits was conducted by KKA Steven & Mourits Consulting, an independent actuary, based on Actuarial Report dated 5 January 2024.

There were 25 and 22 employees eligible for such post-employment benefits in 2023 and 2022 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 17. PROVISION FOR POST-EMPLOYMENT BENEFIT *cont'd*

The main assumptions used in calculating the estimated liabilities for post-employment benefits are as follows:

	2023	2022
Normal pension age	55 years	55 years
Annual salary increment rate	5.00%	5.00%
Annual discount rate	6.85%	7.40%
Mortality table	Indonesian table of Mortality 4	Indonesian table of Mortality 4
Resignation rate	10% until age 25 then decreasing into 1% at age 50	10% until age 25 then decreasing into 1% at age 50
Calculation method	Projected unit credit	Projected unit credit
Report period	1 January up to 31 December	1 January up to 31 December

The details of post-employment benefit expense are as follows:

	Group	
	2023 RM'000	2022 RM'000
Current service cost	15	14
Net interest	5	3
Recognition of past services	-	(1)
Excess benefit paid	_*	_*
	20	17

\* Represented by amount less than RM1,000.

The amounts included in the Statements of Financial Position in respect of these post-employment benefits obligation are as follows:

	Group	
	2023 RM'000	2022 RM'000
Present value of benefit obligations	74	59

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 17. PROVISION FOR POST-EMPLOYMENT BENEFIT *cont'd*

Changes in the net liabilities are as follow:

	Group	
	2023	2022
	RM'000	RM'000
At 1 January	59	45
Benefit expenses	16	17
Benefit paid	(3)	(1)
Exchange differences	2	(2)
At 31 December	74	59

The sensitivity analysis of the estimated liabilities for post-employment benefits for changes in the main assumptions for the year 2023 and 2022 are as follows:

	Group	
	Increase	Decrease
	RM'000	RM'000
<b>2023</b>		
Increase/Decrease of 1% discount rate	65	83
Increase/Decrease of 1% expected rate of salary increase	83	65
<b>2022</b>		
Increase/Decrease of 1% discount rate	52	67
Increase/Decrease of 1% expected rate of salary increase	67	51

## 18. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
<b>Trade</b>					
Trade payables	(a)	15,657	17,598	-	-
<b>Non-trade</b>					
Other payables and accruals	(b)	11,421	9,371	184	1,073
Advances from customer		170	97	-	-
Amount owing to subsidiaries	(c)	-	-	7,773	7,170
		11,591	9,468	7,957	8,243
Trade and other payables		27,248	27,066	7,957	8,243

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 18. TRADE AND OTHER PAYABLES *cont'd*

- (a) Credit terms of trade payables range from 30 to 120 days (2022: 30 to 120 days).
- (b) Included in other payables and accruals of the Group is an amount of RM1,153,000 (2022: RM1,093,000) owing to non-controlling interest. The credit terms granted by the non-controlling interest is 60 days.
- (c) Amount owing to subsidiaries is non-trade in nature, unsecured, interest free, repayable on demand and is expected to be settled in cash.

### 19. REVENUE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Automotive parts	154,472	148,360	-	-
Dividend income	-	-	287	-
Machinery parts	5,314	6,039	-	-
	159,786	154,399	287	-
<b>Timing of revenue recognition:</b>				
At a point in time	159,786	154,399	287	-

### 20. OPERATING PROFIT /(LOSS)

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000

#### **After charging:**

Auditors' remuneration:

#### **Baker Tilly Monteiro Heng PLT**

- Malaysian operations

- current year

165

165

50

50

- prior year

(3)

-

-

-

Non-statutory audit fees:

- Malaysian operations

6

6

6

6

#### **Member firms of Baker Tilly International**

- Overseas operations

- current year

63

59

-

-

Other Services:

- Malaysian operations

50

32

3

3

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 20. OPERATING PROFIT /(LOSS) *cont'd*

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

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b><i>After charging: cont'd</i></b>				
Depreciation of:				
- investment properties	-	6	-	-
- property, plant and equipment	5,736	5,911	-	-
- right-of-use assets	1,489	1,350	-	-
Foreign exchange loss:				
- realised	530	303	-	113
- unrealised	272	-	-	2
Impairment loss on:				
- investment in subsidiaries	-	-	28	4,321
- trade receivables	52	-	-	-
Inventories written-down	317	1,907	-	-
Personnel expenses (including key management personnel):				
- wages, salaries and others	27,380	24,518	175	178
- contribution to Employees Provident Fund	1,647	1,568	-	-
- post-employment benefit	16	17	-	-
Rental expenses on:				
- short-term lease				
- staff housing facilities	73	304	-	-
- others	414	269	-	-
- low value assets				
- others	14	39	-	-
Written off on:				
- property, plant & equipment	37	-	-	-
- inventories	-	221	-	-
- amount owing from subsidiaries	-	-	-	3,712
- investment in subsidiaries	-	-	9,219	-
<b><i>And crediting:</i></b>				
Foreign exchange gain:				
- unrealised	-	(229)	- *	-
Gain on disposal of:				
- property, plant and equipment & right-of-use asset	(167)	(17,198)	-	-
- investment properties	-	(402)	-	-
- equity interests in subsidiary	-	-	(4)	-
Rental income from:				
- premises	(48)	(119)	-	-
- investment properties	-	(12)	-	-
Reversal of impairment losses on:				
- amount owing from subsidiaries	-	-	(5,649)	(463)
Reversal of inventories written down	(1,075)	(2,558)	-	-

\* Represented by amount less than RM1,000.



## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 21. FINANCE COSTS

	Group	
	2023 RM'000	2022 RM'000
Interest expenses on:		
- term loan	161	150
- bank overdraft	12	24
- revolving credit	-	304
- lease liabilities	26	70
	199	548
Other bank charges	27	54
	226	602

### 22. INCOME TAX EXPENSE

The major components of income tax expenses for the financial year ended 31 December 2023 and 31 December 2022 are as follows:

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Current income tax:</b>					
- current year		(2,004)	(505)	-	-
- prior year		94	31	-	-*
		(1,910)	(474)	-	-
<b>Deferred tax:</b>					
- current year	9	241	(509)	-	-
- prior year	9	53	(41)	-	-
		294	(550)	-	-
<b>Real property gain tax ("RPGT")</b>					
		-	(1,600)	-	-
		(1,616)	(2,624)	-	-*

Domestic income tax is calculated at the Malaysia statutory income tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 22. INCOME TAX EXPENSE *cont'd*

A reconciliation of income tax expense applicable to profit /(loss) before tax 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	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before tax	3,024	22,272	5,331	(8,303)
Tax at applicable tax rate of 24% (2022: 24%)	(726)	(5,345)	(1,279)	1,993
Tax effect arising from:				
- non-deductible expenses	(2,426)	(2,198)	(147)	(2,104)
- tax exempt income	1,444	5,542	1,426	111
- difference in tax rates in other countries	(18)	(26)	-	-
- unrecognised deferred tax assets	(37)	1,013	-	-
- RPGT	-	(1,600)	-	-
- prior years	147	(10)	-	-*
Tax expense for the financial year	(1,616)	(2,624)	-	-*

\* Represented by amount less than RM1,000.

### 23. (LOSS)/EARNINGS PER ORDINARY SHARE

#### Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share are based on the (loss)/earnings for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2023	2022
	RM'000	RM'000
(Loss)/profit attributable to owners of the Company	(385)	18,453
Weighted average number of ordinary shares:		
Issued ordinary shares	44,800	44,800
Effect of treasury shares held	(2,637)	(2,637)
Weighted average number of ordinary shares at 31 December	42,163	42,163
Basic (loss)/earning per ordinary share (sen)	(0.91)	43.77

#### Diluted (loss)/earnings per ordinary share

Diluted (loss)/earnings per ordinary share are based on the (loss)/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 (loss)/earnings per ordinary share are equal as the Group has no dilutive potential ordinary share(s).

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 24. RELATED PARTIES

### (a) Identification of related parties

Parties are considered to be related to the Group if the Group 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 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 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 and entities having significant influence over the Group.

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 subsidiaries of the Company, Sugihara Grand Industries Sdn. Bhd. ("SUGI") and PT Grand Sugihara Techno (formerly known as PT Grand Surya Techno). The directors of SUGI, Shigeru Sugihara and Masahiko Shimbara and the director of PT GST, Shunzo Ishii are directors of SUGI-Japan. All the amounts outstanding are unsecured and expected to be settled in cash.

Shigeru Sugihara is also substantial shareholder of SUGI-Japan.

### (b) Significant related party transactions

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Dividend income</b>				
- Sugihara Grand Industries Sdn. Bhd.	-	-	(287)	-
<b>Purchase of goods</b>				
- San Yes Automotive Technology Co. Ltd.	-	4	-	-
- Sugihara Co. Ltd.	3,295	1,173	-	-
<b>Purchase of fixed assets</b>				
- Sugihara Co. Ltd.	-	460	-	-
<b>Royalties payable</b>				
- Sugihara Co. Ltd.	969	865	-	-

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 24. RELATED PARTIES *cont'd*

### (c) Compensation of key management personnel

The compensation of directors and other key management personnel are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<b>Directors:</b>				
- Fees	157	157	157	157
- Remuneration	1,170	898	18	21
- Contribution to Employees Provident Fund	196	166	-	-
	1,523	1,221	175	178
<b>Other key management personnel:</b>				
- Remuneration	730	632	-	-
- Contribution to Employees Provident Fund	107	77	-	-
	837	709	-	-
	2,360	1,930	175	178

## 25. CAPITAL COMMITMENTS

### (a) Commitments

The Group has made commitment for the following capital expenditure:

	Group	
	2023	2022
	RM'000	RM'000
Plant and machineries	1,716	693

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 26. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned as amortised cost ("AC"):

	Carrying amounts RM'000	AC RM'000
<b>31 December 2023</b>		
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables	25,195	25,195
Cash and short term deposits	38,385	38,385
	63,580	63,580
<b>Company</b>		
Other receivables	1,510	1,510
Cash and short term deposits	6,611	6,611
	8,121	8,121
<b>Financial liabilities</b>		
<b>Group</b>		
Loans and borrowings	3,246	3,246
Trade and other payables	27,248	27,248
	30,494	30,494
<b>Company</b>		
Other payables	7,957	7,957

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 26. FINANCIAL INSTRUMENTS *cont'd*

### (a) Categories of financial instruments *cont'd*

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned as amortised cost ("AC"): *cont'd*

	Carrying amounts	AC
	RM'000	RM'000
<b>31 December 2022</b>		
<b>Financial assets</b>		
<b>Group</b>		
Trade and other receivables	30,330	30,330
Cash and short term deposits	25,028	25,028
	55,358	55,358
<b>Company</b>		
Other receivables	5	5
Cash and short term deposits	1,597	1,597
	1,602	1,602
<b>Financial liabilities</b>		
<b>Group</b>		
Loans and borrowings	3,674	3,674
Trade and other payables	27,066	27,066
	30,740	30,740
<b>Company</b>		
Other payables	8,243	8,243

### (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 Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and 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.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 26. FINANCIAL INSTRUMENTS *cont'd*

### (b) Financial risk management

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

#### (i) Credit risk

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 and the Company are exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. 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.

#### Trade receivables

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

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

#### 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 trade receivables at the reporting date are as follows:

	Group	
	2023	2022
	RM'000	RM'000
Automotive parts	21,911	26,488
Machinery parts	1,016	1,682
	22,927	28,170

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 26. FINANCIAL INSTRUMENTS *cont'd*

### (b) Financial risk management *cont'd*

#### (i) Credit risk *cont'd*

##### Trade receivables *cont'd*

##### Recognition and measurement of impairment losses

The Group applies the simplified approach to provide for impairment losses prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward-looking information.

The following table provides information about the exposure to credit risk and impairment losses for trade receivables:

Group	Trade receivables				Total
	Current	> 30 days past due	> 60 days past due	> 90 days past due	
<b>31 December 2023</b>					
Gross carrying amount at default	20,093	1,321	475	1,532	23,421
Impairment losses	-	-	-	(494)	(494)
<b>31 December 2022</b>					
Gross carrying amount at default	25,186	1,611	690	1,125	28,612
Impairment losses	-	-	-	(442)	(442)

The movement in the allowance for impairment losses on trade receivables is as follows:

	Group	
	2023	2022
	RM'000	RM'000
<b>Credit impaired</b>		
At 1 January/31 December	494	442

Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

##### Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), 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 receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.



## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### (b) Financial risk management *cont'd*

##### (i) Credit risk *cont'd*

##### Other receivables and other financial assets *cont'd*

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

As at the end of reporting date, the Group and the Company consider the other receivables and other financial assets as low credit risk and any loss allowance would be negligible.

The movement in the allowance for impairment losses on other receivables and other financial assets is as follows:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 January	5,064	5,064	874	1,332
Reversal for the financial year	-	-	-	(458)
At 31 December	5,064	5,064	874	874

##### Financial guarantees

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans 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 RM3,246,000 (2022: RM3,674,000) 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.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 26. FINANCIAL INSTRUMENTS *cont'd*

### (b) Financial risk management *cont'd*

#### (ii) Liquidity risk *cont'd*

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 finance department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

#### Maturity analysis

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

	← Contractual cash flows →				Total RM'000
	Carrying amounts RM'000	On demand or within 1 year RM'000	2-5 years RM'000	> 5 years RM'000	
	<b>31 December 2023</b>				
<b>Group</b>					
Term loan	3,246	572	2,087	1,173	3,832
Trade and other payables	27,248	27,248	-	-	27,248
Lease liabilities	3,403	1,245	2,772	-	4,017
	33,897	29,065	4,859	1,173	35,097
<b>Company</b>					
Other payables	7,957	7,957	-	-	7,957
Financial guarantees	-	3,246	-	-	3,246
<b>31 December 2022</b>					
<b>Group</b>					
Term loan	3,674	584	2,144	1,658	4,386
Trade and other payables	27,066	27,066	-	-	27,066
Lease liabilities	706	412	320	-	732
	31,446	28,062	2,464	1,658	32,184
<b>Company</b>					
Other payables	8,243	8,243	-	-	8,243
Financial guarantees	-	3,674	-	-	3,674

## NOTES TO THE FINANCIAL STATEMENTS

cont'd

### 26. FINANCIAL INSTRUMENTS *cont'd*

#### (b) Financial risk management *cont'd*

##### (iii) Foreign currency risk

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

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

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

Group	Denominated in					
	USD RM'000	JPY RM'000	THB RM'000	SGD RM'000	INR RM'000	CNY RM'000
<b>31 December 2023</b>						
Other receivables	-	-	-	-	-	57
Cash and bank balances	1,683	-	1,262	-*	-	-
Trade payables	(779)	(495)	(2,268)	-	-	(1,771)
Other payables	-	-	-	(36)	-	-
Exposure in the statements of financial position	904	(495)	(1,006)	(36)	-	(1,714)
<b>31 December 2022</b>						
Trade receivables	50	-	516	-	-	-
Other receivables	600	93	-	-	7	-
Cash and bank balances	1,162	-	467	-*	-	-
Trade payables	(394)	(198)	(1,589)	-	-	(2,876)
Other payables	(40)	(51)	-	-	-	-
Exposure in the statements of financial position	1,378	(156)	(606)	-	7	(2,876)

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

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 26. FINANCIAL INSTRUMENTS *cont'd*

### (b) Financial risk management *cont'd*

#### (iii) Foreign currency risk *cont'd*

##### Foreign currency risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the USD, JPY, THB and CNY, 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/(loss) for the financial year	
		2023 RM'000	2022 RM'000
<b>Group</b>			
USD	+ 10%	69	105
	- 10%	(69)	(105)
JPY	+ 10%	(38)	(12)
	- 10%	38	12
THB	+ 10%	(76)	(46)
	- 10%	76	46
CNY	+ 10%	(130)	(219)
	- 10%	130	219

The exposure to currency risk of the Group on INR and SGD 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's surplus funds are placed as short-term deposits with licensed banks.

##### 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

## 26. 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*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit or loss for the financial year.

Group	Change in basis points	Effect on profit/ (loss) for the financial year RM'000
<b>31 December 2023</b>	+ 100	(25)
	- 100	25
<b>31 December 2022</b>	+ 100	(28)
	- 100	28

#### (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 as a result of changes in market price (other than interest or exchange rates).

The Group and the Company do not have exposure to market price risk as at the reporting date.

### (c) Fair value measurement

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 27. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

### (a) Disposal of 216,589 ordinary shares, representing 5% of the total issued share capital in PT GST by the Company.

On 13 January 2023, the Company had entered into a Shares Sell and Purchase Agreement with Sugihara Co. Ltd. For the disposal of 216,589 ordinary shares, representing 5% of the total issued share capital in PT GST, for a total consideration of USD197,858 (equivalent to RM891,746) ("the Disposal"). Following the Disposal, PT GST became a 95.0%-owned subsidiary of the Company.

### (b) Strike-Off of Exsilio, a wholly-owned subsidiary of the Company

On 1 December 2022, the Company had applied to the Company Registrar of Singapore, Accounting and Corporate Regulatory Authority ("ACRA") for the striking off of Exsilio pursuant to Section 344 of the Singapore Companies Act 1967.

On 22 March 2023, the Company announced that the strike off application has been approved by ACRA. Accordingly, the name of Exsilio has been struck off from the register and cease to be a wholly-owned subsidiary of the Company.

### (c) Disposal of 1,516,120 ordinary shares, representing 35% of the total issued share capital in PT GST by the Company.

On 21 December 2023, the Company had entered into a Shares Sell and Purchase Agreement with Sugihara Co. Ltd. For the disposal of 1,516,120 ordinary shares, representing 35% of the total issued share capital in PT GST, for a total consideration of USD1,370,646 (equivalent to RM6,209,026) ("the Disposal"). Following the Disposal, PT GST became a 60.0%-owned subsidiary of the Company.

## 28. 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. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2023 and 31 December 2022.

The debt-to-equity ratios were as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Loans and borrowings	3,246	3,674	-	-
Equity attributable to the owners of the Company	78,855	72,673	67,970	62,639
Debt to equity ratio	4%	5%	-	-

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 29. SEGMENT INFORMATION

The Group has three 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.
Others	Investment holding and dormants.

Inter-segment pricing is determined on negotiated basis.

### Segment profits

Segment profit is used to measure performance as the Group's Executive Director believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

### 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

Revenue and non-current assets information on the basis of geographical segments are based on the geographical location of customers and assets respectively. The amounts of non-current assets do not include financial instruments and deferred tax assets.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 29. SEGMENT INFORMATION *cont'd*

2023	Automotive parts RM'000	Machinery parts RM'000	Others RM'000	Elimination RM'000	Notes	Total RM'000
<b>Revenue</b>						
Revenue from external customers	154,472	5,314	-	-		159,786
Inter-segment revenue	31,159	-	287	(31,446)		-
	<u>185,631</u>	<u>5,314</u>	<u>287</u>	<u>(31,446)</u>	<b>(a)</b>	<u>159,786</u>
<b>Results</b>						
Depreciation for:						
- property, plant and equipment	(5,550)	(170)	(16)	-		(5,736)
- right-of-use assets	(921)	(137)	-	(431)		(1,489)
Employment benefit expenses	(27,726)	(1,142)	(175)	-		(29,043)
Gain on disposal of:						
- property, plant and equipment & right-of-use asset	166	-	1	-		167
Rental income from investment property	967	48	-	(967)		48
Foreign exchange gain:						
realised	(530)	-	-	-		(530)
unrealised	(145)	48	(175)	-		(272)
Rental expense on:						
- short-term lease						
- staff housing facilities	(73)	-	-	-		(73)
- others	(414)	-	-	-		(414)
- low value assets						
- others	(14)	-	-	-		(14)
Impairment loss of						
- investment in subsidiaries	-	(118)	(120)	238		-
- trade receivables	-	52	-	-		52
Reversal of Impairment loss of investment in subsidiaries						
	-	-	5,649	(5,649)		-
Inventories written-down	(134)	(183)	-	-		(317)
Reversal of inventories written-down	966	109	-	-		1,075
<b>Segment profit/(loss)</b>	<u>4,544</u>	<u>(277)</u>	<u>5,004</u>	<u>(6,225)</u>	<b>(b)</b>	<u>3,046</u>
Finance income	-	204	-	-		204
Finance costs	(216)	(10)	-	-		(226)
Income tax expense	(1,616)	-	-	-		(1,616)
<b>Profit/(loss) for the financial year</b>	<u>2,712</u>	<u>(83)</u>	<u>5,004</u>	<u>(6,225)</u>	<b>(b)</b>	<u>1,408</u>
<b>Other information</b>						
Segment assets	115,847	22,206	101,461	(107,428)	<b>(c)</b>	132,086
Segment liabilities	(45,701)	(356)	(14,690)	25,745	<b>(c)</b>	(35,002)

\* Represented by amount less than RM1,000.



# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 29. SEGMENT INFORMATION *cont'd*

2022	Automotive parts RM'000	Machinery parts RM'000	Others RM'000	Elimination RM'000	Notes	Total RM'000
<b>Revenue</b>						
Revenue from external customers	148,360	6,039	-	-		154,399
Inter-segment revenue	22,784	-	-	(22,784)		-
	171,144	6,039	-	(22,784)	(a)	154,399
<b>Results</b>						
Written off on:						
- inventories	(221)	-	-	-		(221)
- trade receivables	-*	-	-	-		-
Depreciation for:						
- investment properties	-	(6)	-	-		(6)
- property, plant and equipment	(5,674)	(221)	(16)	-		(5,911)
- right-of-use assets	(822)	(105)	-	(423)		(1,350)
Employment benefit expenses	(24,556)	(1,369)	(178)	-		(26,103)
Gain on disposal of property, plant and equipment	24	17,174	-	-		17,198
investment properties	-	402	-	-		402
Impairment loss of investment in subsidiaries	-	(4,955)	(6,271)	11,226		-
Inventories written-down	(321)	(1,586)	-	-		(1,907)
Reversal of impairment loss on amount owing from subsidiaries	4,508	-*	463	(4,971)		-
Reversal of inventories written-down	-	2,558	-	-		2,558
Rental income from investment property	-	12	-	-		12
<b>Segment (loss)/profit</b>	<b>9,492</b>	<b>12,927</b>	<b>(9,042)</b>	<b>9,476</b>	<b>(b)</b>	<b>22,853</b>
Finance income	-	21	-	-		21
Finance costs	(288)	(10)	(304)	-		(602)
Income tax expense	(818)	(1,600)	(156)	(50)		(2,624)
<b>Profit for the financial year</b>	<b>8,386</b>	<b>11,338</b>	<b>(9,502)</b>	<b>9,426</b>	<b>(b)</b>	<b>19,648</b>
<b>Other information</b>						
Segment assets	104,935	22,689	95,604	(103,258)	(c)	119,970
Segment liabilities	(37,458)	(755)	(14,617)	20,502	(c)	(32,328)

\* Represented by amount less than RM1,000.

# NOTES TO THE FINANCIAL STATEMENTS

cont'd

## 29. SEGMENT INFORMATION *cont'd*

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities are as follows:

- (a) Inter-segment revenues are eliminated on consolidation;
- (b) Inter-segment income and expenses are eliminated on consolidation; and
- (c) Inter-segment balances are eliminated on consolidation.

### Geographical information

Revenue information based on the geographical location of customers and non-current assets information based on the geographical operations location of the Group are as follows:

	Revenue RM'000	Non-current assets RM'000
<b>31 December 2023</b>		
Malaysia	128,843	22,842
Indonesia	20,283	21,368
Thailand	10,660	-
	159,786	44,210
<b>31 December 2022</b>		
Malaysia	124,972	26,384
Indonesia	15,915	13,634
Thailand	13,512	-
	154,399	40,018

### Major customers

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

	Revenue	
	2023 RM'000	2022 RM'000
Customer A	39,109	38,999
Customer B	32,022	29,273
Customer C	14,108	15,446
Customer D	24,346	17,758

## STATEMENT BY DIRECTORS

(Pursuant to Section 251(2) of the Companies Act 2016)

We, **NG WAI KEE** and **YAP SIEW FOONG**, being two of the directors of SMIS Corporation Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2023 and of their financial performance and cash flows for the financial year then ended.

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 April 2024

## **STATUTORY DECLARATION**

(Pursuant to Section 251(1) of the Companies Act 2016)

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 accompanying financial statements 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 April 2024.

Before me,

.....  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

To the Members of SMIS Corporation Berhad

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of SMIS Corporation Berhad, which comprise the statements of financial position as at 31 December 2023 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 material accounting policy information, as set out on pages 69 to 121.

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 2023, and of their financial performance and their 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 2016 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence and Other Ethical Responsibilities*

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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### 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.

### Group

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#### **Inventories (Note 4 and 10 to the financial statements)**

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The Group's inventories are measured at the lower of cost and net realisable value. Judgement is required in estimating their net realisable values. The directors are required to perform an assessment to determine whether these inventories are stated at the lower of cost and net realisable value.

We focused on this area because 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.

#### **Our response:**

Our audit procedures included, among others:

- observing year end physical inventory count to observe physical existence and conditioning of the finished goods and understanding the design and implementation of controls during the count;
- checking subsequent sales and evaluating directors' assessment on estimated net realizable value on selected inventory items; and
- discussing with the Group whether the inventories have been written down to their net realizable value for inventory items with net realizable value lower than their cost.

# INDEPENDENT AUDITORS' REPORT

To the Members of SMIS Corporation Berhad  
cont'd

## Key Audit Matters *cont'd*

### Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

### 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 or 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 the 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 2016 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 going concerns, 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.

### 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.

# INDEPENDENT AUDITORS' REPORT

To the Members of SMIS Corporation Berhad  
cont'd

## Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

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:  
*cont'd*

- 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.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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 PLT**  
201906000600 (LLP0019411-LCA) & AF 0117  
Chartered Accountants

**Ong Teng Yan**  
No. 03076/07/2025 J  
Chartered Accountant

Kuala Lumpur

Date: 29 April 2024

## ANALYSIS OF SHAREHOLDINGS

As at 29 March 2024

Total Number of Issued Shares : 44,800,000 ordinary shares (including 2,637,000 treasury shares)  
 Class of Shares : Ordinary Shares  
 Voting Rights : One vote per Ordinary Share

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities*	% of Issued Capital*
1-99	30	2.967	735	0.002
100-1,000	238	23.541	185,000	0.439
1,001-10,000	493	48.764	2,467,600	5.853
10,001-100,000	215	21.266	7,066,356	16.760
100,001-2,108,149	34	3.363	16,763,309	39.758
2,108,150 and above	1	0.099	15,680,000	37.189
<b>Total</b>	<b>1,011</b>	<b>100.000</b>	<b>42,163,000</b>	<b>100.000</b>

Total No of Shareholders/ Depositors : 1,011  
 Total Shareholdings/ Securities : 42,163,000  
 Total Percentage (%) : 100.000

\* Excludes 2,637,000 Ordinary Shares bought back by the Company and held as treasury shares as at 29 March 2024.



## ANALYSIS OF SHAREHOLDINGS

As at 29 March 2024  
cont'd

### THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 29 MARCH 2024

No.	Name of Shareholders/Depositors	No. of Shares	Holding Percentage % *
1	MIYES HOLDINGS SDN BHD	15,680,000	37.19
2	CHEE SAI MUN	1,538,200	3.65
3	NG WAI KEE	1,490,900	3.54
4	CHOW KUAN FONG	1,458,195	3.46
5	CHEN, MENG-HSIN	1,368,941	3.25
6	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM KONG HWEE (E-KPG/SGK)</i>	1,332,500	3.16
7	YAP SIEW FOONG	1,263,730	3.00
8	KENANGA NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)</i>	742,000	1.76
9	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LIM KONG HWEE (E-KPG/SGK)</i>	700,000	1.66
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SAK KAM WAH (8082357)</i>	674,000	1.60
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>CHUA ENG HO WA'A @ CHUA ENG WAH</i>	630,100	1.49
12	TAN LAY HARNG	588,800	1.40
13	CHAM WEI WEI	500,000	1.19
14	WIJAYA SYUKUR (M) SDN BHD	415,000	0.98
15	ENG KIM LIAN	380,964	0.90
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TING VIN SOON (E-TSA)</i>	300,000	0.71
17	CARTABAN NOMINEES (ASING) SDN BHD <i>THE BANK OF NEW YORK MELLON FOR ACADIAN EMERGING MARKETS MICRO-CAP EQUITY MASTER FUND</i>	291,900	0.69
18	LIM WEE CHIN	234,000	0.56
19	TAN LAY CHONG	229,800	0.54
20	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KOAY YAN WAH (M)</i>	215,000	0.51
21	TAN LAY CHEE	201,900	0.48
22	TAN AI LENG	200,000	0.47
23	CHAM BEE SENG @ CHIAM BEE SENG	199,989	0.47
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SII TOH PING (E-PDG)</i>	190,000	0.45
25	JIS SYSTEM (M) SDN BHD	185,000	0.44
26	LIM CHAI GUAN	170,000	0.40
27	MERCSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON</i>	165,700	0.39
28	LIM SIEW LEE	150,000	0.36
29	TAN KHEAK GEAI	150,000	0.36
30	CHAM BEE SIM	149,572	0.35
	<b>TOTAL</b>	<b>31,796,191</b>	<b>75.41</b>

\* Excludes 2,637,000 Ordinary Shares bought back by the Company and held as treasury shares as at 29 March 2024.

# ANALYSIS OF SHAREHOLDINGS

As at 29 March 2024  
cont'd

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2024

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
MIYES Holdings Sdn. Bhd. ("MIYES")	15,680,000	37.19	-	-
Umberston Holdings Sdn. Bhd. ("Umberston")	-	-	15,680,000 <sup>(1)</sup>	37.19
San Yes Automotive Technology Co., Ltd	-	-	15,680,000 <sup>(1)</sup>	37.19
Yap Siew Foong	1,263,730	3.00	15,680,000 <sup>(2)</sup>	37.19

\* Excludes 2,637,000 Ordinary Shares bought back by the Company and held as treasury shares as at 29 March 2024

<sup>(1)</sup> deemed interested through MIYES

<sup>(2)</sup> deemed interested through Umberston and MIYES

## DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 29 MARCH 2024

Name of Director	Direct Interest		Indirect Interest	
	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
Yap Siew Foong	1,263,730	3.00	15,680,000 <sup>(1)</sup>	37.19
Ng Wai Kee	1,550,900	3.68	-	-
Wern Li Morsingh	-	-	-	-
Oei Kok Eong	-	-	-	-
Tan Hock Soon	-	-	-	-

\* Excludes 2,637,000 Ordinary Shares of bought back by the Company and held as treasury shares as at 29 March 2024.

<sup>(1)</sup> deemed interested through Umberston and MIYES

## LIST OF PROPERTIES

For the Financial Year Ended 31 December 2023

Registered Beneficial Owner	Location	Date of Valuation / Acquisition	Description and Existing Use	Tenure and Year of Expiry	Approximate Age of Property (Year)	Built Up area (Sq.m)	Net book value as at 31 December 2023 (RM)
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 a single storey detached factory and a double storey frontal office. Office and factory.	Leasehold of 99 years, expiring on June 9, 2086	32	10,310	4,110,678
Sanyco Grand Industries Sdn Bhd	No 3, Jalan U1/15, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor.	January 24, 2017	Industrial land erected with a single storey detached factory with a mezzanine floor office annexed. Office and factory.	Freehold	25	2,140	2,827,039
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 of 50 years, expiring June 16, 2048	13	7,012	1,150,048
Sugihara Grand Industries Sdn Bhd	PT 12673, Kawasan Perindustrian Sendayan Tech Valley, Bandar Sri Sendayan, 71950 Seremban, Negeri Sembilan Darul Khusus	August 6, 2015	Industrial land erected with a single storey detached factory with office annexed. Office and factory.	Freehold	9	3,681	6,685,957
PT Grand Ventures Hartamas	Kawasan Industri Terpadu Indonesia China Lot 70, which is located in Kawasan Industri Terpadu Indonesia China, Kota Deltamas, Cikarang Pusat, Bekasi 17530, West Java, Indonesia	April 28, 2017	Industrial Land. The land is vacant.	Leasehold of 50 years, expiring January 8, 2049	7	16,186	9,679,760
PT Grand Ventures Hartamas	Le Freya and Cosmo Estate, Lippo Cikarang, Bekasi, Jawa Barat, Indonesia	September 29, 2017	3 units of double storey residential house. 1 unit is rented out whilst the remaining 2 units are vacant.	Leasehold	7	215	211,620

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fifth (“25<sup>th</sup>”) Annual General Meeting (“AGM”) of SMIS Corporation Berhad (the “Company”) will be held and conducted on a virtual basis through live streaming from the broadcast venue at Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia (“Broadcast Venue”) via the meeting platform at <https://meeting.boardroomlimited.my> on Friday, 31 May 2024 at 10:00 a.m. for the following purposes:-

### AGENDA

#### As Ordinary Business

- |    |   |  |
|----|---|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the Directors’ and Auditors’ Reports thereon.   | <i>(Please refer to Note 1 of the Explanatory Notes)</i>                                 |
| 2. | To approve the Non-Executive Directors’ Fees of RM157,000.00 in respect of the financial year ended 31 December 2023 and increase in Benefits Payable up to an aggregate amount of RM30,000.00 to the Non-Executive Directors for the period from the 25 <sup>th</sup> AGM until the next AGM of the Company in year 2025 and payments thereof. | <b>Ordinary Resolution 1</b><br><i>(Please refer to Note 2 of the Explanatory Notes)</i> |
| 3. | To re-elect Mr Ng Wai Kee who is retiring under Clause 96 of the Company’s Constitution.  | <b>Ordinary Resolution 2</b><br><i>(Please refer to Note 3 of the Explanatory Notes)</i> |
| 4. | To re-elect Mr Oei Kok Eong who is retiring under Clause 96 of the Company’s Constitution.  | <b>Ordinary Resolution 3</b><br><i>(Please refer to Note 3 of the Explanatory Notes)</i> |
| 5. | To re-appoint Baker Tilly Monteiro Heng PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.  | <b>Ordinary Resolution 4</b><br><i>(Please refer to Note 4 of the Explanatory Notes)</i> |

#### As Special Business

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

- |    |  |  |
|----|--|--|
| 6. | <b>Authority for Ms Wern Li Morsingh to continue in office as Independent Non-Executive Director</b>   |  |
|    | “ <b>THAT</b> authority be and is hereby given to Ms Wern Li Morsingh who has served as an Independent Non-Executive Director of the Company for a cumulative period of more than nine (9) years to continue to act as Independent Non-Executive Director of the Company up to 27 November 2024 in accordance with Malaysian Code on Corporate Governance (“MCCG”).” | <b>Ordinary Resolution 5</b><br><i>(Please refer to Note 5 of the Explanatory Notes)</i> |
| 7. | <b>Authority for Mr Oei Kok Eong to continue in office as Independent Non-Executive Director</b>   |  |
|    | “ <b>THAT</b> authority be and is hereby given to Mr Oei Kok Eong who has served as an Independent Non-Executive Director of the Company for a cumulative period of more than nine (9) years to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next AGM in accordance with MCCG.”                                  | <b>Ordinary Resolution 6</b><br><i>(Please refer to Note 5 of the Explanatory Notes)</i> |

# NOTICE OF ANNUAL GENERAL MEETING

cont'd

## 8. Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 ("the Act") for the Directors to allot and issue shares

"**THAT** pursuant to Sections 75 and 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 Constitution of the Company and approval of all relevant regulatory authorities being obtained for such allotment and issuance.

**THAT** in connection with the above, pursuant to Section 85 of the Act and Clause 59 of the Constitution of the Company, the shareholders do hereby waive the statutory pre-emptive rights of the offered shares in proportion of their holdings at such price and at such terms to be offered arising from any issuance of new shares above by the Company.

**AND THAT** the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares."

**Ordinary Resolution 7**  
(Please refer to Note 6 of  
the Explanatory Notes)

## 9. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") 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 30 April 2024 with the related parties mentioned therein which are necessary for the SMIS Group's day-to-day operations, subject further to the following:-

- (i) the transactions are in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- (ii) disclosure of the aggregate value of the transactions of the Proposed Shareholders' Mandate conducted during the financial year will be disclosed in the Annual Report for the said financial year,

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

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

# NOTICE OF ANNUAL GENERAL MEETING

cont'd

- (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 a resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

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

**Ordinary Resolution 8**  
*(Please refer to Note 7 of the Explanatory Notes)*

10. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the total number of issued shares ("Proposed Renewal of Share Buy-Back Mandate")**

**"THAT** subject to the Act, the Constitution of the Company, the MMLR of Bursa Securities, all other applicable laws, rules and regulations and guidelines for the time being in force 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 2023 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 to deal with such treasury shares in the manner as set out in Section 127(7) 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 Twenty-Sixth ("**26<sup>th</sup>**") AGM of the Company), at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the 26<sup>th</sup> 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);

# NOTICE OF ANNUAL GENERAL MEETING

cont'd

**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 with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time or as the Directors may in their discretion deem necessary and to do all such acts and things as the Directors may deem fit and expedient in the best interests of the Company.”

**Ordinary Resolution 9**  
(Please refer to Note 8 of  
the Explanatory Notes)

11. To transact any other business of which due notice shall have been given in accordance with the Company’s Constitution and the Act.

BY ORDER OF THE BOARD

**TAI YIT CHAN**

(SSM PC No. 202008001023)  
(MAICSA 7009143)

**TAN AI NING**

(SSM PC No. 202008000067)  
(MAICSA 7015852)

Company Secretaries

Selangor Darul Ehsan

Date: 30 April 2024

**NOTES:**

1. The 25<sup>th</sup> AGM of the Company will be held and conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting (“RPEV”) facilities. Please follow the procedures set out in the Administrative Guide for the 25<sup>th</sup> AGM to register, participate and vote (collectively, “participate”) remotely via the RPEV facilities. The Administrative Guide on the Conduct of a Virtual 25<sup>th</sup> AGM is available for download at <http://www.smis.com.my/>.
2. The Broadcast Venue of the 25<sup>th</sup> AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the meeting to be present at the main venue of the meeting and in accordance with Clause 64 of the Company’s Constitution which allows a meeting of members to be held at more than one venue, using any technology or method that enables the members of the Company to participate and exercise their right to participate and vote at the general meeting. The Broadcast Venue of the 25<sup>th</sup> AGM is to inform members where the electronic 25<sup>th</sup> AGM production and streaming would be conducted from.
3. Members/proxies/corporate representatives **WILL NOT BE ALLOWED** to be physically present nor will they be admitted at the Broadcast Venue on the day of the 25<sup>th</sup> AGM. Therefore, members are strongly advised to participate and vote remotely at the 25<sup>th</sup> AGM through live streaming and online remote voting using the RPEV facilities provided by the Company’s poll administrator, namely Boardroom Share Registrars Sdn. Bhd.
4. In respect of deposited securities, only members whose names appear in the Company’s Record of Depositors as at **23 May 2024** shall be eligible to participate in the AGM or appoint proxy(ies) to participate and vote on his/her behalf.
5. A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991) entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to participate and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
6. Where a member appoints two (2) proxies, the appointments shall be invalid unless he (she) specifies the proportion of his (her) holdings to be represented by each proxy.

# NOTICE OF ANNUAL GENERAL MEETING

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7. 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 shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
8. The Proxy Form shall be signed by the appointer of his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its Common Seal or by its duly authorised attorney or officer.
9. The instrument appointing a proxy by a member who is entitled to participate at the 25<sup>th</sup> AGM, shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
10. The appointment of proxy may be made in a hard copy form or by electronic means, not less than forty-eight (48) hours before the time for holding the 25<sup>th</sup> AGM or at any adjournment thereof, as follows:-
- (i) **In hard copy form**  
The original instrument appointing a proxy (“**Proxy Form**”) must be deposited at the Company’s Share Registrar’s Office at 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
- (ii) **By electronic means**  
The Proxy Form can also be lodged electronically with the Share Registrar of the Company through Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> or email to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com). Please follow the procedures provided in the Administrative Guide for the 25<sup>th</sup> AGM in order to deposit the Proxy Form electronically.
11. If you have submitted your Proxy Form(s) and subsequently decide to appoint another person or wish to participate in our electronic 25<sup>th</sup> AGM by yourself, please write in to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) to revoke the earlier appointed proxy forty-eight (48) hours before this meeting.
12. Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of 25<sup>th</sup> AGM will be put to vote by way of poll.

## EXPLANATORY NOTES:

### 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. 1 – Directors’ Fees and Benefits Payable

Section 230(1) of the Act provides amongst others that the fees of the Directors and any benefits payable to the Directors of the Company and its subsidiaries shall be approved at a general meeting. Based on the recommendation from the Remuneration Committee (“**RC**”), the Board approved the following proposed Directors’ Fee for the financial year ended 31 December 2023 to be tabled to the shareholders for approval at the forthcoming AGM of the Company:

Name	Designation	Proposed Directors’ Fees (RM)
Ms Wern Li Morsingh	Independent Non-Executive Director	48,000
Mr Oei Kok Eong	Independent Non-Executive Director	46,000
Mr Tan Hock Soon	Independent Non-Executive Director	63,000
<b>Total</b>		<b>157,000</b>

The amount of Directors’ fees payable includes fees payable to Directors as members of Board and Board Committees. Other than the Directors’ Fees from the Company, the Non-Executive Directors do not receive any Directors’ Fees from any of the subsidiaries within the SMIS Group.

The increase in amount of Directors’ benefits payable comprises meeting allowances from this AGM until the conclusion of the next AGM of the Company in year 2025 pursuant to the Act which shareholders’ approval will be sought at this 25<sup>th</sup> AGM in accordance with Section 230(1) of the Act. In determining the estimated total amount of the Directors’ benefits, the Board has considered the number of scheduled and special meetings (if any) for the Board and Board Committees as well as the number of Non-Executive Directors involved in the meetings, including any potential future appointment of director(s). Other than the benefits payable from the Company, the Non-Executive Directors do not receive any benefits payable from any of the subsidiaries within the SMIS Group.



# NOTICE OF ANNUAL GENERAL MEETING

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*In the event that the proposed Directors' Fees and Benefits Payable during the above period exceed the estimated amount sought at the 25<sup>th</sup> AGM, approval will be sought at the next AGM for additional Directors' Fees and Benefits Payable to meet the shortfall, prior to the payment being made.*

### 3. Ordinary Resolutions No. 2 and No. 3 – Re-election of Directors

*For the purpose of determining the eligibility of the Directors to stand for re-election at the 25<sup>th</sup> AGM of the Company, the Board through its Nomination Committee (“NC”) undertakes a formal evaluation to determine the eligibility of each retiring Director in line with the MCCG and MMLR of Bursa Securities, which includes the following:-*

- (i) Performance and effectiveness of the Board as a whole, Board Committees and individual Directors; and*
- (ii) Fit and proper assessment.*

*The NC and the Board are satisfied with the performance and effectiveness of Mr Ng Wai Kee and Mr Oei Kok Eong who are due for retirement as Directors, and being eligible, have offered themselves for re-election at the 25<sup>th</sup> AGM.*

*The two (2) retiring Directors have abstained from deliberations and decision on their own eligibility and suitability to stand for re-election at the relevant NC and Board meetings. The profiles of the Directors who are standing for re-election under Ordinary Resolutions 2 and 3 are set out in the Board of Directors' profile of the Annual Report 2023.*

### 4. Ordinary Resolution No. 4 – Re-appointment of Auditors

*Messrs. Baker Tilly Monteiro Heng PLT, the auditors of the Company have expressed their willingness to continue in office as auditors of the Company for the financial year ending 31 December 2024. The Board has approved the Audit and Risk Committee's recommendation that they be retained after taking into account relevant feedback on their experience, performance and independence following a formal assessment.*

### 5. Ordinary Resolutions No. 5 and No. 6 – Authority for Ms Wern Li Morsingh and Mr Oei Kok Eong to continue in office as Independent Non-Executive Directors

*Proposed Ordinary Resolution 5 under item 6 of the Agenda, if passed, will allow Ms Wern Li Morsingh (“Ms Wern Li”) to continue to serve as an Independent Director of the Company up to 27 November 2024. Ms Wern Li was appointed as an Independent Non-Executive Director of the Company on 28 November 2012 and has served for a cumulative term of approximately twelve (12) years of service. At the end of this term, Ms Wern Li will need to either resign as a Director of the Company or be re-designated as a Non-Independent Non-Executive Director.*

*Proposed Ordinary Resolution 6 under item 7 of the Agenda, if passed, will allow Mr Oei Kok Eong (“Mr Oei”) to continue to serve as an Independent Director of the Company until the conclusion of the next AGM of the Company. Mr Oei was appointed as an Independent Non-Executive Director of the Company on 21 November 2014 and has served for a cumulative term of more than nine (9) years prescribed by the MCCG.*

*In accordance with the MCCG, the NC and the Board have assessed the independence of Ms Wern Li and Mr Oei and consider them to be independent, based on, amongst others, the following justifications and therefore recommend that Ms Wern Li and Mr Oei be retained as an Independent Directors of the Company:*

- (a) They have fulfilled the criteria under the definition on Independent Director as stated in the MMLR of Bursa Securities as well as the prescribed criteria under the MCCG, and therefore is able to bring independent and objective judgement to the Board;*
- (b) Their experience in various industries enables them to provide the Board with a diverse set of experience, expertise, skills and competence;*
- (c) They actively participate in Board's and Board Committees' deliberations and decision making in an objective manner, exercise due care in all undertakings of the SMIS Group and carried out their fiduciary duties in the interest of the Company;*
- (d) They do not have any conflict of interest with the Company and have not been entering/are not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies; and*
- (e) The Board is of the opinion that they are an important Independent Non-Executive Director in view of many years on the Board with incumbent knowledge of the Company and the SMIS Group's activities and corporate history and have provided invaluable contributions to the Board in their role as an Independent Non-Executive Director.*

# NOTICE OF ANNUAL GENERAL MEETING

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## 6. **Ordinary Resolution No. 7 – Proposed Renewal of Authority under Sections 75 and 76 of the Act for the Directors to allot and issue shares**

The Company had, during its Twenty-Fourth (24<sup>th</sup>) AGM held on 29 May 2023, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained and this mandate will lapse at the conclusion of the 25<sup>th</sup> AGM.

Ordinary Resolution 7 proposed under item 8 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 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 ("**General Mandate**"). 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 conclusion of the next AGM of the Company.

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.

The waiver of pre-emptive rights pursuant to Section 85 of the Act and Clause 59 of the Constitution will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares in the Company under the General Mandate.

If there should be a decision to issue new shares after the General Mandate is obtained, the Company will make an announcement in respect thereof.

## 7. **Ordinary Resolution No. 8 - Proposed Shareholders' Mandate**

Ordinary Resolution 8 proposed under item 9 of the Agenda, if passed, will allow the SMIS Group to enter into RRPTs 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 RRPT 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 Proposed 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 30 April 2024.

## 8. **Ordinary Resolution No. 9 - Proposed Renewal of Share Buy-Back Mandate**

The proposed Ordinary Resolution 9 proposed under item 10 of the Agenda, 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 25<sup>th</sup> 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 30 April 2024.

### **Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to participate 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.

# ADMINISTRATIVE GUIDE OF TWENTY-FIFTH ANNUAL GENERAL MEETING



**SMIS CORPORATION BERHAD**  
 [Registration No. 199901016957 (491857-V)]  
 (Incorporated in Malaysia)

## ADMINISTRATIVE GUIDE OF TWENTY-FIFTH ANNUAL GENERAL MEETING (“25<sup>th</sup> AGM”) FOR THE SHAREHOLDERS OF SMIS CORPORATION BERHAD

<b>Meeting Date</b>	:	Friday, 31 May 2024
<b>Time</b>	:	10.00 a.m.
<b>Meeting Platform</b>	:	<a href="https://meeting.boardroomlimited.my">https://meeting.boardroomlimited.my</a>
<b>Broadcast Venue</b>	:	12th Floor, Menara Symphony No. 5, Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Malaysia
<b>Mode of Communication</b>	:	<ol style="list-style-type: none"> <li>1) Submit questions to the Board of Directors (“<b>Board</b>”) prior to the 25<sup>th</sup> AGM by emailing to <a href="mailto:corporate@smis.com.my">corporate@smis.com.my</a> no later than 5.00 p.m., Friday, 24 May 2024.</li> <li>2) Post questions to the Board via real time submission of typed text at <a href="https://meeting.boardroomlimited.my">https://meeting.boardroomlimited.my</a> during live streaming of 25<sup>th</sup> AGM.</li> </ol>

### Dear Valued Shareholders,

The Company will conduct its forthcoming 25<sup>th</sup> AGM on a virtual basis via remote participation and electronic voting (“**RPEV**”) facilities (collectively referred hereinafter as “**Virtual AGM**”) in accordance with Section 327 of the Companies Act 2016 (“**the Act**”) and Clause 64 of the Constitution of the Company.

In line with the Malaysian Code on Corporate Governance Practice 13.3, conducting a Virtual AGM would promote greater shareholder participation as it facilitates electronic voting and remote shareholders’ participation. With the RPEV facilities, you may exercise your right as a member of the Company to participate (including to pose questions to the Board of Directors and/or Management of the Company) and vote at the 25<sup>th</sup> AGM. Alternatively, you may also appoint the Chairman of the Meeting as your proxy to attend and vote on your behalf at the 25<sup>th</sup> AGM.

Kindly ensure that you are connected to the internet at all times in order to participate and vote when our virtual 25<sup>th</sup> AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

### BROADCAST VENUE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires that the Chairman of the meeting to be present at the main venue.

Shareholders/proxies/corporate representatives **WILL NOT BE ALLOWED to be physically present** nor will they be admitted at the Broadcast Venue on the day of the 25<sup>th</sup> AGM. Shareholders/proxies/corporate representatives who turn up at the Broadcast Venue would be requested to leave the venue politely.

# ADMINISTRATIVE GUIDE OF TWENTY-FIFTH ANNUAL GENERAL MEETING

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## DIGITAL COPIES OF AGM DOCUMENTS

1. As part of our dedicated commitment to sustainable practices, the following documents can be downloaded from Bursa Malaysia Securities Berhad's website at <http://www.bursamalaysia.com> OR SMIS Corporation Berhad's website at <http://www.smis.com.my/news.php> OR scan the QR code below:
  - a. Notice of 25th AGM and Proxy Form;
  - b. Annual Report 2023;
  - c. Circular/Statement to Shareholders on Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares of up to 10% of the total number of issued shares ("**Circular/Statement to Shareholders**"); and
  - d. Corporate Governance Report 2023.



- i) Use the QR Code Reader on your Android or iOS smartphone.  
*If your smartphone is not installed with a QR Code Reader, you can download from the Google Play/iOS Store.*
- ii) Scan the code using your smartphone. This will take you to the relevant page on our website and you may download the latest PDF file(s) shown on the webpage.

2. If you need a copy of the printed Annual Report 2023, kindly complete the Requisition Form and send by post or email to us or our Company Share Registrar, Boardroom Share Registrars Sdn. Bhd. at [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com). Alternatively, you may navigate to the website of our Share Registrar to request for a printed copy of the Annual Report 2023 as follows:-

Step 1 : Log in to <https://investor.boardroomlimited.com>.

Step 2 : At left-menu, click on <<**Investor Services**>> and <<**Request For Annual Report and Circular**>>.

Step 3 : Please select the company name or Bursa stock code before completing the online request form.

Step 4 : Please click <<**Submit**>> button to send your request.

3. Any request for the printed Annual Report 2023 would be forwarded to the requestor within four (4) market days from the date of receipt of the written request.

## NO VOUCHERS/DOOR GIFTS

There will be **NO VOUCHER(S) OR ANY DOOR GIFT(S)** for shareholders/proxies who participate in the AGM.

## ENTITLEMENTS TO PARTICIPATE AND VOTE

Only a depositor whose name appears in the Record of Depositors as at **23 May 2024** is entitled to participate and/or vote at the said meeting or appoint proxies to participate and vote on his/her behalf in respect of the number of shares registered in his/her name at that time.

# ADMINISTRATIVE GUIDE OF TWENTY-FIFTH ANNUAL GENERAL MEETING

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## FORM(S) of Proxy

- Shareholders are encouraged to go online, participate and vote at the 25<sup>th</sup> AGM using the RPEV facilities. If you wish to personally participate in this 25<sup>th</sup> AGM, please do not appoint any proxy/ies. You will not be allowed to participate in the meeting together with a proxy appointed by you.
- If a shareholder is unable to attend the 25<sup>th</sup> AGM on Friday, 31 May 2024, he/she can appoint the Chairman of the meeting or a proxy to participate and vote in his/her stead. Please submit your Proxy Form to the Share Registrar's Office of the Company, Boardroom Share Registrar Sdn. Bhd. at Ground Floor or 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan latest by **Wednesday, 29 May 2024 at 10.00 a.m.**
- You may also submit the Proxy Form via electronic means ("**e-Proxy**") through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> by logging in and selecting "**Submit eProxy Form**" no later than the aforementioned date and time. For further information, kindly refer to the "Online Registration Procedure" below.

## REVOCAION OF PROXY

If you have submitted your Proxy Form and subsequently decide to appoint another person or wish to participate in our electronic 25<sup>th</sup> AGM by yourself, please write in to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) to revoke the earlier appointed proxy forty-eight (48) hours before the 25<sup>th</sup> AGM. On revocation, your proxy(ies) will not be allowed to participate in the 25<sup>th</sup> AGM. In such event, you should advise your proxy(ies) accordingly.

## CORPORATE MEMBER

Any corporate member who wishes to appoint a representative instead of a proxy to attend the meeting should submit the original certificate of appointment under the seal of the corporation to the office of the Share Registrar at any time before the time appointed for holding the meeting.

## VOTING PROCEDURE

- Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the 25<sup>th</sup> AGM will be conducted by poll. The Company has appointed Boardroom Share Registrars Sdn. Bhd. as Poll Administrator to conduct the poll by way of electronic voting ("**e-voting**") and Sky Corporate Services Sdn. Bhd. as Independent Scrutineer to verify and validate the poll results.
- During the 25<sup>th</sup> AGM, the Chairman of the meeting will invite the Poll Administrator to brief on the e-voting housekeeping rules. The e-voting session will commence as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of the poll.
- Members and proxies are required to use the following methods to vote remotely:-
  - Launch Lumi AGM by scanning the QR code given to you in the email along with your remote participation User ID and Password; or
  - Access Lumi AGM via the website URL <https://meeting.boardroomlimited.my>.

For the purpose of this AGM, e-voting can be carried out by using either personal smart mobile phones, tablets, personal computers or laptops.

- Upon the conclusion of the e-voting session, the Independent Scrutineer will verify the poll results followed by the declaration by the Chairman of the meeting whether the resolutions put to vote were successfully carried or otherwise.

# ADMINISTRATIVE GUIDE OF TWENTY-FIFTH ANNUAL GENERAL MEETING

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## ONLINE REGISTRATION PROCEDURES

1. All shareholders including (i) individual shareholders; (ii) corporate shareholders; (iii) authorised nominees; and (iv) exempt authorised nominees shall use the RPEV facilities to participate and vote remotely at the 25<sup>th</sup> AGM. You will be able to view a live webcast of the meeting, ask questions and submit your votes in real time whilst the meeting is in progress.
2. Kindly follow the steps below to request for your login ID and password and usage of the RPEV facilities:-

Before the day of the AGM		
Procedure	Action	
1.	Register Online with Boardroom Smart Investor Portal <b>(for first time registration only)</b>	<p><i>[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2 - Submit your request for remote participation]</i></p> <ol style="list-style-type: none"> <li>a. Access website <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a></li> <li>b. Click &lt;&lt;<b>Register</b>&gt;&gt; to sign up as a user.</li> <li>c. Please select the correct account type, i.e. sign up as “<b>Shareholder</b>” or “<b>Corporate Holder</b>”.</li> <li>d. Complete the registration and upload a softcopy of your MyKAD (for Malaysian) front and back or Passport (for non-Malaysian) in JPEG, PNG or PDF Format.</li> <li>e. For Corporate Holder, kindly upload the authorisation letter and click &lt;&lt;<b>Sign Up</b>&gt;&gt;.</li> <li>f. You will receive an email from Boardroom for email address verification. Click &lt;&lt;<b>Verify Email Address</b>&gt;&gt; from the email received to continue with the registration.</li> <li>g. Once your email address is verified, you will be re-directed to Boardroom Smart Investor Portal for verification of mobile number. Click &lt;&lt;<b>Request OTP Code</b>&gt;&gt; and an OTP code will be sent to the registered mobile number. You will need to enter the OTP Code and click &lt;&lt;<b>Enter</b>&gt;&gt; to complete the process.</li> <li>h. Your registration will be verified and approved within one (1) business day and an email notification will be provided to you.</li> </ol>
2.	Submit request for remote participation <b>(User ID and Password)</b>	<p>Registration for remote access will be opened on <b>Tuesday, 30 April 2024</b>. Please note that the closing time to submit your request is not less than <b>forty-eight (48) hours</b> before the time of holding the 25<sup>th</sup> AGM, i.e. latest by <b>Wednesday, 29 May 2024 at 10.00 a.m.</b></p> <p><b>Individual Members</b></p> <ol style="list-style-type: none"> <li>a. Log in to <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a> using your user ID and password from Step 1 above.</li> <li>b. Select &lt;&lt;<b>SMIS CORPORATION BERHAD 25<sup>TH</sup> ANNUAL GENERAL MEETING</b>&gt;&gt; from the list of Corporate Meetings and click &lt;&lt;<b>Enter</b>&gt;&gt;</li> <li>c. Click on &lt;&lt;<b>Register for RPEV</b>&gt;&gt;.</li> <li>d. Enter your CDS Account Number.</li> <li>e. Read and accept the General Terms and Conditions and clicking &lt;&lt;<b>Register</b>&gt;&gt;.</li> </ol>




# ADMINISTRATIVE GUIDE OF TWENTY-FIFTH ANNUAL GENERAL MEETING

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Before the day of the AGM	
Procedure	Action
2. Submit request for remote participation (User ID and Password) <i>cont'd</i>	<p><b>Appointment of Proxy – Individual Members</b></p> <ol style="list-style-type: none"> <li>a. Log in to <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a> using your user ID and password from Step 1 above.</li> <li>b. Select &lt;&lt;<b>SMIS CORPORATION BERHAD 25<sup>TH</sup> ANNUAL GENERAL MEETING</b>&gt;&gt; from the list of Corporate Meetings and click &lt;&lt;<b>Enter</b>&gt;&gt;.</li> <li>c. Click on &lt;&lt;<b>Submit eProxy Form</b>&gt;&gt;.</li> <li>d. Read and accept the General Terms and Conditions by clicking &lt;&lt;<b>Next</b>&gt;&gt;.</li> <li>e. Enter your CDS Account Number and number of securities held. Select your proxy – either the Chairman of the meeting or individual named proxy(ies) and enter the required particulars of your proxy(ies).</li> <li>f. Indicate your voting instructions – “<b>FOR</b>” or “<b>AGAINST</b>” or “<b>ABSTAIN</b>”. If you wish to have your proxy(ies) to act upon his/her discretion, please indicate “<b>DISCRETIONARY</b>”.</li> <li>g. Review and confirm your proxy appointment.</li> <li>h. Click &lt;&lt;<b>Apply</b>&gt;&gt;.</li> <li>i. Download or print the eProxy form as acknowledgement.</li> </ol> <p><b>Corporate Shareholders (via email)</b></p> <ol style="list-style-type: none"> <li>a. To submit the request, Corporate Shareholders need to deposit the original hardcopy to Boardroom and write in to <a href="mailto:bsr.helpdesk@boardroomlimited.com">bsr.helpdesk@boardroomlimited.com</a> by providing the name of shareholder, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy (as the case maybe) to submit the request.</li> <li>b. Please provide a copy of corporate representative’s MyKad/Identification Card (front and back) or Passport in JPEG, PNG or PDF format as well as his/her email address.</li> </ol> <p><b>Authorised Nominee and Exempt Authorised Nominee</b></p> <p><b>Via Boardroom Smart Investor Portal</b></p> <ol style="list-style-type: none"> <li>a. Login to <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a> using your user ID and password from Step 1 above.</li> <li>b. Select &lt;&lt; <b>SMIS CORPORATION BERHAD 25<sup>TH</sup> ANNUAL GENERAL MEETING</b> &gt;&gt; from the list of Corporate Meetings and click &lt;&lt;<b>Enter</b>&gt;&gt;.</li> <li>c. Click on &lt;&lt;<b>Submit eProxy Form</b>&gt;&gt;.</li> <li>d. Select the company you would like to represent (if more than one).</li> <li>e. Proceed to download the file format for “<b>Submission of Proxy Form</b>” from Boardroom Smart Investor Portal.</li> <li>f. Prepare the file for the appointment of proxies by inserting the required data.</li> <li>g. Proceed to upload the duly completed proxy appointment file.</li> <li>h. Review and confirm your proxy appointment and click &lt;&lt;<b>Submit</b>&gt;&gt;.</li> <li>i. Download or print the eProxy form as acknowledgement.</li> </ol> <p><i>Note: if you wish to appoint more than one (1) company, kindly click the home button and select &lt;&lt;<b>Edit Profile</b>&gt;&gt; in order to add company name.</i></p>

# ADMINISTRATIVE GUIDE OF TWENTY-FIFTH ANNUAL GENERAL MEETING

cont'd

Before the day of the AGM		
Procedure	Action	
2.	Submit request for remote participation <b>(User ID and Password)</b> <i>cont'd</i>	<b>Via email</b> a. To submit the request, Authorised Nominee and Exempt Authorised Nominee need to deposit the original hardcopy Form of Proxy to Boardroom and write in to <a href="mailto:bsr.helpdesk@boardroomlimited.com">bsr.helpdesk@boardroomlimited.com</a> by providing softcopy of the Form(s) of Proxy, the name of shareholders and CDS Account Number. b. Please provide a copy of the proxy holder's MyKad (front and back) or Passport in JPEG, PNG or PDF format as well as his/her email address.
3.	Email notification	a. You will receive notification(s) from Boardroom that your request(s) has been received and is/are being verified. b. After verification of your registration against the General Meeting Record of Depositors as at <b>23 May 2024</b> , you will receive an email from Boardroom either approving or rejecting your registration for remote participation after Wednesday, 29 May 2024. c. If your registration is approved, you will also receive your remote access user ID and password in the same email from Boardroom after the closing date. d. Please note that the closing date and time to submit your request for remote participation User ID and Password is on <b>Wednesday, 29 May 2024 at 10.00 a.m.</b> (48 hours before the commencement of the 25 <sup>th</sup> AGM).
On the day of the AGM		
Procedure	Action	
4.	Login to Virtual Meeting Platform	a. The Virtual Meeting Portal will be opened for login one (1) hour before the commencement of the 25 <sup>th</sup> AGM at <b>9.00 a.m.</b> on <b>Friday, 31 May 2024</b> , which can be accessed via one of the following methods: ➤ Launch <b>Lumi AGM</b> by scanning the QR Code provided in the email notification; or ➤ Access the Lumi AGM webportal via the website at <a href="https://meeting.boardroomlimited.my">https://meeting.boardroomlimited.my</a> ; b. Insert the Meeting ID number and sign in with the user ID and password provided to you via the email notification in Step 3 above.
5.	Participate through Live Streaming	<p><i>[Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition.]</i></p> a. If you would like to view the live webcast, select the broadcast icon.  b. If you would like to ask a question during the 25 <sup>th</sup> AGM, select the messaging icon.  c. Type your message within the chat box, once completed click the send button.
6.	Online Remote Voting	a. Once the meeting is opened for voting, the polling icon  will appear with the resolutions and your voting choices. b. To vote, select your voting direction from the options provided. A confirmation message will appear to show your vote has been received. c. To change your vote, simply select another voting direction. d. If you wish to cancel your vote, please press " <b>Cancel</b> ".
7.	End of Remote Participation	a. Upon the announcement by the Chairman on the closure of the 25 <sup>th</sup> AGM, the live streaming will end. b. You can then logout from the virtual meeting platform.



# ADMINISTRATIVE GUIDE OF TWENTY-FIFTH ANNUAL GENERAL MEETING

cont'd

## PRE-MEETING SUBMISSION OF QUESTIONS

In order to enhance the efficiency of the proceedings of the 25<sup>th</sup> AGM, the shareholders may submit questions to the Company via e-mail to [corporate@smis.com.my](mailto:corporate@smis.com.my) **not later than Friday, 24 May 2024 at 5:00 p.m.** or select the messaging icon in Boardroom Smart Investor Portal to transmit questions via RPEV facilities during live streaming of the 25<sup>th</sup> AGM. If time permits, the Chairman and the Board of Directors will endeavour their best to respond to the questions submitted by the shareholders which are related to the resolutions to be tabled at the 25<sup>th</sup> AGM. The shareholders are encouraged to submit questions before the 25<sup>th</sup> AGM as priority will be given to questions submitted before the 25<sup>th</sup> AGM.

## RECORDING OR PHOTOGRAPHY AT THE 25<sup>TH</sup> AGM

Strictly no recording or photography of the 25<sup>th</sup> AGM proceedings is allowed.

## ENQUIRY

If you have general queries prior to the meeting, please contact the following person during office hours from Mondays to Fridays, 8.30 a.m. to 5.30 p.m. (except on public holidays):-

### Boardroom Share Registrars Sdn. Bhd. [Registration No. 199601006647 (378993-D)]

Address	11 <sup>th</sup> Floor, Menara Symphony No. 5 Jalan Prof. Khoo Kay Kim Seksyen 13, 46200 Petaling Jaya Selangor Darul Ehsan, Malaysia
General Line	+603-7890 4700
Fax Number	+603-7890 4670
Email	<a href="mailto:bsr.helpdesk@boardroomlimited.com">bsr.helpdesk@boardroomlimited.com</a>

### SMIS Corporation Berhad [Registration No. 199901016957 (491857-V)]

General Line	+603-5880 0900
Fax Number	+603-2303 1349
Email	<a href="mailto:corporate@smis.com.my">corporate@smis.com.my</a>

## PERSONAL DATA POLICY

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.



**SMIS CORPORATION BERHAD**  
 [Registration No. 199901016957 (491857-V)]  
 (Incorporated in Malaysia)

Number of shares held	CDS Account No.

## PROXY FORM

I/We, \_\_\_\_\_ NRIC/Passport/Company No. \_\_\_\_\_  
 (NAME IN FULL AND IN BLOCK LETTERS)

of \_\_\_\_\_  
 (FULL ADDRESS)

and Telephone no./Email address \_\_\_\_\_ being a member/members of **SMIS CORPORATION BERHAD**

("Company"), hereby appoint \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_  
 (NAME IN FULL AND BLOCK LETTERS)

of \_\_\_\_\_  
 (FULL ADDRESS)

and Telephone no./Email address \_\_\_\_\_ and/or failing him/her, \_\_\_\_\_  
 (NAME IN FULL AND BLOCK LETTERS)

NRIC/Passport No. \_\_\_\_\_ of \_\_\_\_\_  
 (FULL ADDRESS)

\_\_\_\_\_ (FULL ADDRESS)

and Telephone no./Email address \_\_\_\_\_ or failing him/her, \*THE CHAIRMAN OF THE MEETING as my/our proxy/proxies to vote for me/us and on my/our behalf at the Twenty-Fifth ("25<sup>th</sup>") Annual General Meeting ("AGM") of the Company, to be held and conducted on a virtual through live streaming from the broadcast venue at Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia ("**Broadcast Venue**") via the meeting platform at <https://meeting.boardroomlimited.my/> on **Friday, 31 May 2024 at 10:00 a.m.** and at any adjournment thereof, on the following resolutions referred to in the Notice of the 25<sup>th</sup> AGM.

\* Please delete the words "THE CHAIRMAN OF THE MEETING" if you wish to appoint some other person to be your proxy.

My/our proxy is to vote as indicated below:

No.	Resolution	For	Against
Ordinary Resolution 1	Approval of the payment of Non-Executive Directors' Fees for the financial year ended 31 December 2023 and increase in Benefits Payable to the Non-Executive Directors for the period from the 25 <sup>th</sup> AGM until the next AGM of the Company in year 2025 and payments thereof		
Ordinary Resolution 2	Re-election of Mr Ng Wai Kee as Director (Clause 96 of the Company's Constitution)		
Ordinary Resolution 3	Re-election of Mr Oei Kok Eong as Director (Clause 96 of the Company's Constitution)		
Ordinary Resolution 4	Re-appointment of Baker Tilly Monteiro Heng PLT as Auditors of the Company and authorisation for the Directors to fix their remuneration		
Ordinary Resolution 5	Authority for Ms Wern Li Morsingh to continue in office as Independent Non-Executive Director		
Ordinary Resolution 6	Authority for Mr Oei Kok Eong to continue in office as Independent Non-Executive Director		
Ordinary Resolution 7	Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 (" <b>the Act</b> ") for the Directors to allot and issue shares		
Ordinary Resolution 8	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 9	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares 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.)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2024

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

	Percentage	%
First proxy	_____	%
Second proxy	_____	%
Total	<u>100</u>	%

Signature of Member(s)^

^ Manner of execution:-

- If you are an individual member, please sign where indicated.
- If you are a corporate member which has a common seal, this Form of Proxy should be executed under seal in accordance with the Constitution of your corporation.
- If you are a corporate member which does not have a common seal, this Form of Proxy should be affixed with the rubber stamp of your corporation (if any) and executed by:-
  - at least two (2) authorised officers, of whom one shall be a director; or
  - any Director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Fold This Flap For Sealing

**NOTES:**

1. The 25<sup>th</sup> AGM of the Company will be held and conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facilities. Please follow the procedures set out in the Administrative Guide for the 25<sup>th</sup> AGM to register, participate and vote (collectively, "**participate**") remotely via the RPEV facilities. The Administrative Guide on the Conduct of a Virtual 25<sup>th</sup> AGM is available for download at <http://www.smis.com.my/>.
2. The Broadcast Venue of the 25<sup>th</sup> AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the meeting to be present at the main venue of the meeting and in accordance with Clause 64 of the Company's Constitution which allows a meeting of members to be held at more than one venue, using any technology or method that enables the members of the Company to participate and exercise their right to participate and vote at the general meeting. The Broadcast Venue of the 25<sup>th</sup> AGM is to inform members where the electronic 25<sup>th</sup> AGM production and streaming would be conducted from.
3. Members/proxies/corporate representatives **WILL NOT BE ALLOWED** to be physically present nor will they be admitted at the Broadcast Venue on the day of the 25<sup>th</sup> AGM. Therefore, members are strongly advised to participate and vote remotely at the 25<sup>th</sup> AGM through live streaming and online remote voting using the RPEV facilities provided by the Company's poll administrator, namely Boardroom Share Registrars Sdn. Bhd.
4. In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at **23 May 2024** shall be eligible to participate in the AGM or appoint proxy(ies) to participate and vote on his/her behalf.
5. A member (other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991) entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to participate and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
6. Where a member appoints two (2) proxies, the appointments shall be invalid unless he (she) specifies the proportion of his (her) holdings to be represented by each proxy.
7. 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 shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
8. The Proxy Form shall be signed by the appointer of his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its Common Seal or by its duly authorised attorney or officer.

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AFFIX  
STAMP

**BOARDROOM SHARE REGISTRARS SDN. BHD.**

[Registration No. 199601006647 (378993-D)]

11TH FLOOR, MENARA SYMPHONY  
NO. 5, JALAN PROF. KHOO KAY KIM  
SEKSYEN 13  
46200 PETALING JAYA  
SELANGOR DARUL EHSAN  
MALAYSIA

1<sup>st</sup> Fold Here

9. The instrument appointing a proxy by a member who is entitled to participate at the 25<sup>th</sup> AGM, shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
10. The appointment of proxy may be made in a hard copy form or by electronic means, not less than forty-eight (48) hours before the time for holding the 25<sup>th</sup> AGM or at any adjournment thereof, as follows:-
  - (i) **In hard copy form**  
The original instrument appointing a proxy ("**Proxy Form**") must be deposited at the Company's Share Registrar's Office at 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
  - (ii) **By electronic means**  
The Proxy Form can also be lodged electronically with the Share Registrar of the Company through Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> or email to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com). Please follow the procedures provided in the Administrative Guide for the 25<sup>th</sup> AGM in order to deposit the Proxy Form electronically.
11. If you have submitted your Proxy Form(s) and subsequently decide to appoint another person or wish to participate in our electronic 25<sup>th</sup> AGM by yourself, please write in to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) to revoke the earlier appointed proxy forty-eight (48) hours before this meeting.
12. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of 25<sup>th</sup> 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 pursuant to Personal Data Protection Act, 2010.

Lot 3, Jalan Pemaju U1/15, Seksyen U1, Hicom Glenmarie Industrial Park,  
40150 Shah Alam, Selangor Darul Ehsan, Malaysia

**T** | 03 5569 1218

**F** | 03 5569 1150