SMIS Corporation Berhad
(491857-V)

Annual Report 2009

Contents

SMIS Corporation Berhad (491857-V)

100%	GRAND CARPET INDUSTRIES SDN. BHD.
100%	SANYCO GRAND INDUSTRIES SDN. BHD.
60%	SUGIHARA GRAND INDUSTRIES SDN. BHD.
100%	MACHINERY & INDUSTRIAL SUPPLIES SDN. BHD.
66.25%	CLEON TECHNOLOGY SDN. BHD.

Corporate Information

Board of Directors

Mohamed Ghazali bin Kamal Baharein
(Independent Non-Executive Director)
(Chairman)

Mohd Riani bin Osman (Executive Director)

Ng Wai Kee (Executive Director)

Yap Siew Foong (Executive Director)

Cham Bee Sim (Executive Director)

Danny Ng Siew L'Leong
(Senior Independent Non-Executive Director)

Pauline Teh @ Pauline Teh Abdullah
(Independent Non-Executive Director)

Foo Lee Khean
(Independent Non-Executive Director)

Audit Committee

Danny Ng Siew L'Leong
(Senior Independent Non-Executive Director)
(Chairman)

Pauline Teh @ Pauline Teh Abdullah
(Independent Non-Executive Director)

Foo Lee Khean
(Independent Non-Executive Director)

Nomination Committee

Danny Ng Siew L'Leong (Chairman)

Pauline Teh @ Pauline Teh Abdullah

Mohamed Ghazali bin Kamal Baharein

Remuneration Committee

Mohamed Ghazali bin Kamal Baharein
(Chairman)

Danny Ng Siew L'Leong

Pauline Teh @ Pauline Teh Abdullah

Ng Wai Kee

Company Secretaries

Liew Irene (MAICSA 7022609)

Choong Lee Wah (MAICSA 7019418)

Registered Office

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

Auditors

KPMG (Firm No: AF 0758) Chartered Accountants
Level 10, KPMG Tower, 8 First Avenue,
Bandar Utama, 47800 Petaling Jaya,
Selangor Darul Ehsan.

Principal Bankers

EON Bank Berhad (92351-V)
Wisma Cyclecarri,
288, Jalan Raja Laut, 50350 Kuala Lumpur,
Wilayah Persekutuan.

United Overseas Bank Malaysia Berhad (271809-K)
Level 7, Menara UOB, Jalan Raja Laut,
50050 Kuala Lumpur, Wilayah Persekutuan.

HSBC Bank Malaysia Berhad (127776-V)
2, Leboh Ampang, 50100 Kuala Lumpur,
Wilayah Persekutuan.

Registrars

Tricor Investor Services Sdn Bhd (118401-V)
(formerly known as Tenaga Koperat Sdn Bhd)
Level 17, The Gardens North Tower,
Mid Valley City,
Lingkaran Syed Putra, 59200 Kuala Lumpur,
Wilayah Persekutuan.
Tel: 03-2264 3883 Fax: 03-2282 1886

Stock Exchange Listing

Bursa Malaysia Securities Berhad (Main Market)

Website

http://www.smis.com.my

Summary of Financial Highlights

Balance Sheet	2009 RM'000	2008 RM'000	2007 RM'000 (Restated)	2006 RM'000	2005 RM'000
Issue capital	44,800	44,800	44,800	44,800	44,800
Share premium	4,891	4,891	4,891	4,891	4,891
- Treasury shares	(1,023)	(967)	(579)	(246)	-
Retained profits	19,045	15,138	14,353	15,251	12,028
Translation reserve	-	(43)	4	-	-
Minority shareholders' interests	259	-	-	-	737
Funds employed	67,972	63,819	63,469	64,696	62,456
Negative goodwill	-	-	-	-	2,968
	67,972	63,819	63,469	64,696	65,424
Property, plant and equipment	20,901	23,760	24,926	26,746	29,710
Goodwill	710	710	1,499	710	710
Prepaid lease payments	1,974	2,010	2,046	2,046	2,082
Investment properties	1,350	1,391	1,432	1,740	1,787
Other investments	11,744	11,823	11,759	-	-
Deferred tax assets	819	718	733	760	755
Current assets	48,177	42,689	39,346	45,632	46,605
Total assets	85,675	83,101	81,741	77,634	81,649
Total liabilities	(17,703)	(19,282)	(18,272)	(12,938)	(16,225)
	67,972	63,819	63,469	64,496	65,424
Income Statement					
Revenue	67,803	81,257	70,818	77,144	72,998
Other operating income	256	329	759	458	3,827
Other operating expenses	(64,251)	(78,084)	(71,572)	(77,088)	(76,179)
Operating profit	3,808	3,502	5	514	646
Financing costs	(53)	(112)	(140)	(144)	(156)
Interest income	68	-	42	285	197
Profit/(Loss) before taxation	3,823	3,390	(93)	655	687
Tax expense	(593)	(1,116)	(273)	(1,137)	(627)
Profit/(Loss) for the year from continuing operations	3,230	2,274	(366)	(482)	60
Discontinued operation					
Gain from sale of discontinued operation/(Loss) from discontinued operation, net of tax	1,487	(1,489)	(678)	-	-
	4,717	785	(1,044)	(482)	60
Attributable to :					
Shareholders of the company	4,605	785	(898)	510	1,398
Minority interests	112	-	(146)	(992)	(1,338)
Profit/(Loss) for the year	4,717	785	(1,044)	(482)	60

Note

Listing: Main Market
Date of Listing: 16 April 2002

Directors' Profile

Mohamed Ghazali Bin Kamal Baharein
Chairman, Independent Non-Executive Director

Mohamed Ghazali Bin Kamal Baharein, a Malaysian, aged 64, was appointed to the Board of Directors of SMIS on 2 February 2002 as an Independent Non-Executive Director. He was appointed as Chairman, Independent Non-Executive Director on 27 February 2007.

He holds a Bachelor of Arts from University Malaya and a post graduate Diploma in Development Economics from University Cambridge, United Kingdom in 1972. He attended the Program Management Development in Harvard Business School in 1979. He started his career as an Assistant District Officer in the government service and later in various capacities within the FELDA group of companies where his last appointment was Senior General Manager of Felda Palm Industries Sdn Bhd. He is now a businessman and in consultancy services.

He is also the Chairman of the Remuneration Committee and is a member of the Nomination Committee.

He does not hold any other directorship of public companies. He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has not been convicted for any offences within the past 10 years.

Mohd Riani Bin Osman
Executive Director

Mohd Riani Bin Osman, a Malaysian, aged 58, was appointed as Executive Director of SMIS on 2 February 2002.

He is an entrepreneur with more than twenty-eight years experience in business, especially in the field of trading and manufacturing of OEM automotive parts and components. He has extensive working knowledge and experience in the automotive parts and components industry. He is responsible for the operations of the automotive division.

He also serves as a Director of Lysaght Galvanised Steel 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 and has not been convicted for any offences within the past 10 years.

Ng Wai Kee
Executive Director

Ng Wai Kee, a Malaysian, aged 39, was appointed an Executive Director of SMIS on 2 February 2002. He is responsible for the financial management of SMIS Group.

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 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. He is responsible for the operations and finance of the Group.

He is also a member of the Remuneration Committee.

He does not hold any other directorship of public companies. He is son of Yap Siew Foong, a Director and major shareholder of the Company. Save as disclosed on page 78 of the annual report, he does not have any other conflict of interest with the Company and has not been convicted of any offences within the past 10 years.

Yap Siew Foong
Executive Director

Yap Siew Foong, a Malaysian, aged 66, was appointed an Executive Director of SMIS on 2 February 2002.

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

She does not hold any other directorship of public companies. She is the mother of Ng Wai Kee and sister-in-law of Cham Bee Sim. Save as disclosed on page 78 of the annual report, she does not have any other conflict of interest with the Company and has not been convicted of any offences within the past 10 years.

Cham Bee Sim
Executive Director

Cham Bee Sim, a Malaysian, aged 62, was appointed an Executive Director of SMIS on 2 February 2002.

Ha has vast experience in the manufacturing and trading of automotive parts and components. He is responsible for the operations of the automotive division.

He does not hold any other directorship of public companies. He is the brother-in-law of Yap Siew Foong, a Director and a major shareholder of SMIS. Save as disclosed on page 78 of the annual report, he does not have any other conflict of interest with the Company and has not been convicted of any offences within the past 10 years.

Danny Ng Siew L'Leong
Senior Independent Non-Executive Director

Danny Ng Siew L'Leong, a Malaysian, aged 52, was appointed to the Board of Directors of SMIS on 2 February 2002 as an Independent Non-Executive Director.

He graduated with a Bachelor degree in Agribusiness (Honours) from University Pertanian Malaysia, with major in Financial Management in 1982. He was attached to United Malayan Banking Corporation (now known as RHB Bank Berhad) as Credit Analyst for the central region from 1982 to 1986 and subsequently, the Accounts Manager of the Corporate Banking Department from 1986 to 1990. From 1990 to 1991, he was appointed the Unit Head of the Northern Region of the Corporate Banking Department and Head of Credit and Marketing for its Corporate Banking Department from 1991 to 1994.

He also serves as Director of New Hoong Fatt Holdings Berhad and AHB Holdings Berhad. He is the Chairman of the Audit and Nomination Committee and also a member of the Remuneration Committee.

He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has not been convicted for any offences within the past 10 years.

Pauline Teh @ Pauline Teh Abdullah
Independent Non-Executive Director

Pauline Teh @ Pauline Teh Abdullah, a Malaysian, aged 40, was appointed to the Board of Directors of SMIS on 2 February 2002, as an Independent Non-Executive Director.

She obtained a Bachelor of Commerce (Accounting) from Saint Mary's University, Halifax, Canada in 1993 and a Masters in Finance from University of Hull, United Kingdom in 1994. She was a Senior Operations Officer in Public Bank Berhad from 1993 to 1995 and joined Perdana Merchant Bankers 1995 and left as Assistant Vice-President in 1997 to take up the post of Assistant Manager with Project Lebuhraya Utara Selatan Berhad from 1997 to 1998. In 1998, she joined Hanifah Teo & Associates as a Management Consultant. She left BDO Capital Consultants Sdn Bhd in May 2008 as Executive Director and is currently Executive Director of Crowe Horwath Advisory Sdn Bhd.

She is a member of the Audit, Nomination and Remuneration Committee.

She does not hold any other directorship of public companies. She has no family relationship with any director and/or major shareholders of the Company. She does not have any conflict of interest with the Company and has not been convicted for any offences within the past 10 years.

Foo Lee Khean
Independent Non-Executive Director

Foo Lee Khean, a Malaysian, aged 47, was appointed to the Board of Directors of SMIS on 26 November, 2007, as an Independent Non-Executive Director.

He is a Fellow Member of the Chartered Institute of Management Accountant, United Kingdom and Malaysia Institute of Accountants. He started his career with Coopers & Lybrand Malaysia in 1987 in the restructuring and recovery department before leaving as a Senior Associate in 1989 to join PriceWaterhouse ("PwC"), Singapore, also in the restructuring and recovery department. He left PwC in 1990 to join Arthur Andersen, Singapore before being transferred to Arthur Andersen, Malaysia in 1992 in the corporate recovery and corporate finance division.

His responsibility includes handling forensic audit, general receivership, merger and acquisitions as well as corporate finance activities such as IPOs, fund raising exercise and debt restructuring. He was the Director-Corporate Finance of Ernst & Young in 2002 following the merger of Arthur Andersen with Ernst & Young in same year before leaving in 2005 to join as a partner of Strategic Capital Advisory.

He also serves as Director of Nakamichi Corporation Berhad and SYF Resources Berhad. He is a member of the Audit Committee.

He has no family relationship with any director and/or major shareholders of the Company. He does not have any conflict of interest with the Company and has not been convicted for any offences within the past 10 years.

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

Chairman's Statements

On behalf of the Board of SMIS Corporation Berhad ("SMIS" or "the Company"), it gives me great pleasure to present the Annual Report and Audited Financial Statements of SMIS and its subsidiary companies ("SMIS Group" or "Group") for the financial year ended 31st December 2009.

INDUSTRY OVERVIEW

Demand for 2009 was hampered by the adverse global financial crisis but showed signs of improvement in the last quarter of the year. The Total Industry Volume (TIV) of new motor vehicles registered in Malaysia shrank by 2% in 2009 compared to 2008.

The improved consumer sentiments in the last quarter of the year are expected to continue in 2010 and The Malaysian Automotive Association has forecasted a positive growth of 2% in the industry.

FINANCIAL HIGHLIGHTS

The group revenue for 2009 was RM67.8 million which represents a reduction of 17% from the previous year's RM81.3 million. Both the automotive and machinery parts division suffered reduced revenue for the year under review. The group profit before tax for 2009 was RM3.8 million compared to RM3.4 million in 2008, despite the reduction in total revenue. This improved profit was a result of the group's concerted effort to improve efficiency and its implementation of cost management initiatives.

The net profit for the financial year under review was RM4.7 million (after tax expense of RM0.6 million and gain on sale of discontinued operation of RM1.5 million), as compared to the previous year of RM0.8 million (after tax expense of RM1.1 million and loss from discontinued operation of RM1.5 million).

PROSPECTS

With the worst of the financial crisis over coupled with the various economic stimulus packages announced by the government, consumer sentiments and sales is expected to improve. As a result, SMIS's revenue is forecasted to increase marginally in 2010. The group will continue to work hard to improve efficiency and manage its costs effectively in order to maximise shareholder value.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere appreciation to the management and staff for their loyalty, conscientious efforts, commitment and dedication that contributed to the group's improved results despite the turbulent times.

I would also like to thank our valued shareholders, business associates, suppliers, and financiers for their support and continued faith in SMIS.

Last but not least, my heartfelt appreciation goes to my fellow directors for their invaluable guidance and commitment towards the Company.

Thank you.

Mohamed Ghazali Bin Kamal Baharein
Chairman

The Board of Directors ("Board") of SMIS Corporation Berhad ("the Company") remains committed to ensure that the highest standards of corporate governance are practiced throughout the Group to protect and enhance shareholders' value and to improve its financial performance. The Board is therefore pleased to provide the following statement, which outlines how the Group has applied the principles laid down in Part 1 of the Malaysian Code on Corporate Governance which was revised in 2007 ("the Code") and the extent of compliance with the best practices set out in Part 2 of the Code during the financial year save where otherwise identified and has been approved by the Board of Directors on 16 April 2010.

BOARD OF DIRECTORS

(a) Board Composition and Balance

The Board has eight (8) members which comprises of four (4) Executive Directors and four (4) Independent Non-Executive Directors. This composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, to be independent. A brief profile of each Director is presented on pages 5 to 8 of the Annual Report.

The Executive Directors are primarily responsible for the implementation of policies and decisions of the Board, overseeing the Group's operations and development of the Group's business strategies.

The Independent Non-Executive Directors provide a broader view and independent assessment to the Board's decision making process by acting as an effective check and balance.

The Board is satisfied that the current Board composition fairly reflects the investment of the minority shareholders and represents a balanced mixed of skills and experience to discharge the Board's duties and responsibilities.

The Board has appointed Mr Danny Ng Siew L'Leong as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

(b) Duties and Responsibilities

The Board assumes full responsibility for the overall performance of the Company and the Group by discharging its stewardship responsibilities through strategic leadership, overseeing the conduct of the Company's business, identification and management of principal risks, reviewing the adequacy and integrity of the Company's internal control systems and developing an investor relations program. The Board has also delegated specific responsibilities to the Board Committees, all of which discharge the duties and responsibilities within their specific terms of reference.

The roles of the Chairman and Executive Directors are clearly distinct for effective balance of power and authority. The Chairman is primarily responsible for the Board's effectiveness and conduct and ensuring timely and necessary information is provided to its' members whilst the Executive Directors are responsible for the daily management of the Group's operations as well as implementation of policies and strategies adopted by the Board.

(c) Board Meetings

During the financial year ended 31 December 2009, the Board met 5 times to deliberate and considered matters pertaining to the Group's financial performance, significant investments, corporate development, strategic issues and business plans. The attendance records of the Directors who held office are as follows:-

Name of Directors	No. of Meetings Attended
Mohamed Ghazali bin Kamal Baharein (Chairman)	4/5
Danny Ng Siew L'Leong	4/5
Pauline Teh @ Pauline Teh Abdullah	4/5
Foo Lee Khean	4/5
Mohd Riani Bin Osman	5/5
Ng Wai Kee	5/5
Yap Siew Foong	4/5
Cham Bee Sim	5/5

(d) Supply of Information

All Board members are supplied with information on a timely manner. The Board meetings are structured with a preset agenda which encompasses all aspects of matters under discussion. Board reports are circulated well in advance of the Board meetings for their deliberation. All meetings of the Board are duly recorded in the Board minutes by the Company Secretary. The Company Secretary also attended all the Board Meetings of the Company. Where required, Senior Management may be invited to attend these meetings to explain and clarify on the matters tabled.

In exercising their duties, the Board has unfettered access to all information within the Group, the advice and services of the Company Secretary and independent professional advice where necessary, at the Company's expense.

The terms of appointment of the Company Secretary permits their removal and appointment of a successor is a matter for the Board as a whole to decide. The Company Secretary ensures that all Board meetings are properly convened and that accurate and proper records of the deliberations, proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

(e) Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad.

Given the fact that Directors roles are increasingly demanding in an organization, the Board of Directors continues to equip and update themselves with the relevant training programmes, technological improvements and current developments in the industry as well as with the new regulatory and statutory requirements.

The directors, namely Mr Mohamed Ghazali Bin Kamal Baharein, Mr Danny Ng Siew L'Leong, Mr Foo Lee Khean, Mr Mohd Riani Bin Osman, Mr Ng Wai Kee, Ms Yap Siew Foong and Mr Cham Bee Sim have attended a technical briefing on New Framework for Listings and Equity Fund-Raisings & Corporate Governance Guide on Thursday, 26 November 2009. Ms Pauline Teh @ Pauline Teh Abdullah did not attend any training for the financial year ended 31 December 2009 due to her hectic schedule.

The following directors have also attended other training programmes during the financial year ended 31 December 2009 as listed below:

Directors	**Training Programmes**
Ng Wai Kee	Essential Updates for Directors on Wednesday, 8 July 2009 at One World Hotel, Selangor held by KPMG Malaysia
	Corporate Governance Revisited on 8 September 2009 at Bursa Malaysia, KL held by IIA Malaysia
Danny Ng Siew L' Leong	Financial Reporting Standards (FRS) – Convergence & Impact , Director's Perspective on Wednesday, 25 November 2009 at Securities Commission, Bukit Kiara, KL held by BAF Consulting

The Board acknowledges that continuous education is essential for the Directors to further enhance their skills and knowledge. The Directors are committed to the continuous education programme and will endeavour to fulfil their training requirements for the financial year ending 31 December 2010.

(f) Appointment and Re-election of Directors

The Nomination Committee, which comprises entirely of Independent Non-Executive Directors is responsible for making recommendations for any new appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills, knowledge, expertise and experience, professionalism, integrity as well as the candidates' ability to discharge responsibilities/ function as expected from the Board. Any new nomination received is put to the full Board for assessment and endorsement.

Board members who are newly appointed by the Board are subject to retirement at the Annual General Meeting ("AGM") of the Company. Article 103 of the Company's Articles of Association provide that at least one-third (1/3) of the Directors shall retire by rotation at each AGM and all Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

(g) Board Committees

The Board Committees were established to assist the Board in discharging its responsibilities as set out below with their terms of reference approved by the Board. They are as follows:

<u>Audit Committee</u>

The terms of reference, the number of meetings held during the financial year and the attendance of each member can be found on pages 19 to 23 of the Audit Committee Report.

<u>Nomination Committee</u>

The Nomination Committee has three (3) members, all of whom are Independent Non-Executive Directors. They are tasked with the responsibility of proposing new nominees to the Board and for assessing each director on an ongoing basis. The Board, through the Nomination Committee continuously reviews and assesses its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board. It also reviews the size and composition of the Board to ensure that it has the appropriate mix of skills and competencies to lead the Group effectively.

For the financial year ended 31 December 2009, the Nomination Committee has met once and the meeting was attended by majority of its members. It performed assessments on the effectiveness of the board as a whole, the committees of the board and the contribution of each individual director including Independent Non-Executive Directors and these assessments were documented.

Remuneration Committee

The Remuneration Committee comprises of four (4) members, with the majority being Independent Non-Executive Directors. They recommend to the Board the remuneration packages of the Executive Directors. Such packages are designed to attract, retain and motivate the Directors, and are reflective of their experience and level of responsibilities. The remuneration of the Executive Directors are reviewed annually.

The Board as a whole determines the remuneration of the Non-Executive Directors. None of the individual Directors participate in determining their individual remuneration. The Remuneration Committee met once during the year under review and the meeting was attended by majority of its members.

DIRECTORS' REMUNERATION

Details of the remuneration of Directors of the Company during the financial year ended 31 December 2009 are as follow:

Aggregate remuneration:

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Basic Salary	669,600	-	669,600
Bonuses	65,000	-	65,000
Fees	48,000	88,000	136,000
Attendance fee	-	16,000	16,000
Others	162,929	-	162,929
Total	**945,529**	**104,000**	**1,049,529**

Number of Directors whose remuneration fall into the following bands

	No. of Executive Directors	No. of Non-Executive Directors	Total
RM 1 to RM 50,000	-	4	4
RM 150,001 to RM 200,000	1	-	1
RM 200,001 to RM 250,000	2	-	2
RM 300,001 to RM 350,000	1	-	1
Total	**4**	**4**	**8**

The Board has chosen to disclose the remuneration in bands pursuant to the listing requirements as separate and detailed disclosure of individual director's remuneration will not add significantly to the understanding and evaluation of the Company's governance.

SHAREHOLDERS

(a) Shareholders and Investor Relations

The Company recognises that an effective investor relationship is essential in enhancing value to its shareholders. To that end, the Board provides the Company's shareholders with timely releases of the financial results on a quarterly basis, press releases and announcements on the Group's performance. Whilst the Company endeavors to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.

Corporate and financial information of the Group are also made available to shareholders and the public through the Group's website at www.smis.com.my.

(b) Annual General Meeting ("AGM")

The AGM is the principal forum for dialogue with the shareholders. The shareholders would have direct access to the Directors and are provided with sufficient opportunity and time to participate through questions on the prospects, performance of the Group and other matters of concern. Members of the Board as well as the external auditors will be present to answer and provide the appropriate clarifications at the meeting.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board is committed to providing a balanced, clear and comprehensive assessment of the Group's financial position and prospects by making sure the financial statements and quarterly announcements are prepared in accordance to the provisions of the Companies Act, 1965 and applicable approved accounting standards.

The Statement of Responsibility by the Directors in respect of the preparation of the annual audited accounts can be found on page 26 of this Annual Report.

(b) Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal controls in the Group and the Company. However, these controls can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. Information on the Group's internal control is disclosed in the Statement on Internal Control set out on pages 24 to 25 in the Annual Report.

(c) Relationship with Auditors

The Board maintains a transparent and professional relationship with the Group's external auditors. The role of the Audit Committee in relation to the external auditors is explained in the Audit Committee Report on pages 19 to 23 of the Annual Report.

OTHER INFORMATION

(a) Corporate Social Responsibility (CSR)

The Company recognizes its commitment to contribute positively to the society. Thus, in August 2009, the Company supported the "Academic Excellence Awards" organized by the Group HR to reward children of the employees who have excelled in their studies.

(b) Share Buy-Back

The details of shares bought back and retained as treasury shares during the financial year ended 31 December 2009 are set out as below:-

	Number of SMIS Shares Purchased	Highest Price RM	Lowest Price RM	Average Price RM	Total Amount Paid RM
Jan-09	5,000	0.33	0.33	0.35	1,774
Feb-09	40,100	0.33	0.30	0.34	13,534
Mar-09	13,400	0.30	0.28	0.31	4,093
Apr-09	24,800	0.30	0.28	0.31	7,617
May-09	11,000	0.30	0.29	0.31	3,436
Jun-09	2,000	0.31	0.31	0.33	661
Jul-09	4,000	0.33	0.31	0.34	1,362
Aug-09	-	-	-	-	-
Sep-09	2,000	0.45	0.35	0.44	882
Oct-09	5,000	0.47	0.47	0.47	2,369
Nov-09	-	-	-	-	-
Dec-09	46,200	0.46	0.42	0.44	20,162
Total	**153,500**				**55,890**

(c) Options, Warrants or Convertible Securities

There were no option, warrants or convertible securities exercised during the financial year under review.

(d) Material Contracts involving Directors' and Major Shareholders' Interests

There were no contracts involving Directors' and Major Shareholders' interests which are or may be material, not being contracts entered into in the ordinary course of business, which have been entered into by the Company and its subsidiary companies since the end of the previous financial year.

(e) Recurrent Related Party Transactions

The details of the transactions with related parties undertaken by the Company during the financial period are disclosed in note 25 on pages 74 to 75 of the notes to the financial statements and in the Circular to Shareholders, dated 5 May 2010.

(f) Non-Audit Fees

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

(g) Sanctions and/or Penalties Imposed

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

(h) Depository Receipt Programme

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

(i) Variance of Actual Profit from the Forecast Profit

There was no profit estimation, forecast or projection made or released by the Company during the financial year under review.

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

(j) Profit Guarantee

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

(k) Revaluation Policy

The Company has not made any revaluation policy or revaluation on its landed properties during the financial year.

(l) Utilisation of Proceeds

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

The Board of the Company is pleased to present the Audit Committee Report for the financial year ended 31 December 2009.

1. ATTENDANCE AT MEETINGS

The members of the Audit Committee and details of their attendance at meetings held during the financial year are as follows:

		No. of Meetings Attended
Chairman:	Danny Ng Siew L'Leong (Senior Independent Non-Executive Director)	4/5
Members:	Pauline Teh @ Pauline Teh Abdullah (Independent Non-Executive Director)	4/5
	Foo Lee Khean (Independent Non-Executive Director)	4/5

During the financial year ended 31 December 2009, the Audit Committee has met the external auditors twice without the present of Executive Directors and management.

2. AUDIT COMMITTEE (TERMS OF REFERENCE)

2.1 OBJECTIVES

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Audit Committee shall:-

a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;

b) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and

c) Determine the adequacy of the Group's administrative, operating and accounting controls.

2.2 COMPOSITION

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:-

a) the audit committee must be composed of no fewer than 3 members;

b) all members of the audit committee should be Non-Executive Directors;

c) a majority of the audit committee must be independent directors; and

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

2.2 COMPOSITION (continued)

i) must be a member of the Malaysian Institute of Accountants; or

ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-

- he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967, or

iii) he must be a person who fulfils the requirements as may be prescribed or approved by Bursa Malaysia Securities Berhad and/or other relevant authorities from time to time.

e) No alternate Director of the Board shall be appointed as a member of the Committee.

The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 2 (a) to (d) above, the vacancy must be filled within 3 months of that event.

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

2.3 FUNCTIONS

The functions of the Audit Committee are as follows:-

a) to review the following and report the same to the Board of Directors:-

i) with the external auditors, the audit plan;

ii) with the external auditors, his evaluation of the system of internal controls;

iii) with the external auditor, his audit report;

iv) the assistance given by the Company's employees to the external auditors; and

v) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.

b) to consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal and the letter of resignation from the external auditors, if applicable;

c) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

d) to review the quarterly and year-end financial statements of the company, focusing particularly on:-

- Any changes in accounting policies and practices;
- Significant adjustments arising from the audit;
- The going concern assumption;
- Compliance with accounting standards and other legal requirements;

2.3 FUNCTIONS (continued)

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

f) to review the external auditor's management letter and management's response;

g) to do the following, in relation to the internal audit function:-

- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action are taken on the recommendations of the internal audit function;
- Review any appraisal or assessment of the performance of members of the internal audit function;
- Approve any appointments or termination of senior staff members of the internal audit function;
- Take cognisance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

h) to consider the major findings of internal investigations and management's response;

i) to ensure the internal audit function is independent of the activities it audits and the head of internal audit reports directly to the Audit Committee. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company;

j) to consider other areas as defined by the board or as may be prescribed by Bursa Malaysia Securities Berhad or any other relevant authority from time to time.

2.4 RIGHTS OF THE AUDIT COMMITTEE

The Audit Committee shall, wherever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

a) have authority to investigate any matter within its terms of reference;

b) have the resources which are required to perform its duties;

c) have full and unrestricted access to any information pertaining to the Company and Group;

d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

e) be able to obtain independent professional or other advice; and

f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

The Chairman of the audit committee shall engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the financial director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

2.5 MEETINGS

The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least twice a year the Audit Committee shall meet with the external auditors without executive Board members present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

By invitation of the Audit Committee, the Company must ensure that other directors and employees attend any particular audit committee meeting specific to the relevant meeting.

3. SUMMARY OF ACTIVITIES

The Audit Committee had carried out the following activities during the financial year:

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

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

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

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

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

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

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

(h) Reviewed the Group's Updated Key Risk Profile ("KRP").

(i) Reviewed the related party transactions entered into by the Company and the Group, taking into consideration conflict of interest situations that may arise.

4. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to external consultants. The outsourced internal auditors report directly to the Audit Committee. They assist the Board and the Audit Committee by providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control system. The scope of review of the outsourced internal audit function is determined with feedback from the Management and approved by the Audit Committee. The cost of outsourcing the internal audit function for the year ended 2009 was RM 45,000.

During the financial year, the activities performed by the outsourced internal audit function included:

(a) regular review of business processes in accordance with the internal audit plan approved by the Committee;

(b) periodically presented the results of the internal audit reviews to the Audit Committee. All findings raised by the Internal Audit function have been appropriately addressed by the Management;

(c) facilitated the updating of the Group's Key Risk Profile.

The internal audits conducted did not reveal significant weaknesses which would result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

5. TRAINING

During the financial year ended 31 December 2009, the Audit Committee Members attended the following trainings:

Directors	Training Programmes
Danny Ng Siew L' Leong	Financial Reporting Standards (FRS) – Convergence & Impact , Director's Perspective on Wednesday, 25 November 2009 at Securities Commission, Bukit Kiara, KL held by BAF Consulting
Danny Ng Siew L' Leong Foo Lee Khean	New Framework for Listings and Equity Fund- Raisings & Corporate Governance Guide held on Thursday, 26 November 2009 by Boardroom Corporate Services (KL) Sdn Bhd

Ms Pauline Teh @ Pauline Teh Abdullah was not able to attend any training for the Financial Year ended 31 December 2009 due to her hectic schedule.

The Audit Committee Members are committed to attend the relevant training programmes for the financial year ending 31 December 2010.

This report is made in accordance with the approval of the Board of Directors dated 16 April 2010.

INTRODUCTION

Pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the Board of Directors of SMIS Corporation Berhad is pleased to report to the shareholders the state of internal controls that affected the Group during the period under review. The statement on internal control has been prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

BOARD RESPONSIBILITY

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

Due to the inherent limitations in any system of internal control, the system put in place by management can only reduce rather than eliminate all risks of failure to achieve the Group's business objectives. Consequently, the system can only provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

Risk management is regarded by the Board to be an integral part of the Group's business operations. The Heads of Department are responsible for managing the risks of their respective departments. The key risks relating to the Group's operations and business plans are addressed at management's periodic meetings. Significant risks identified are escalated to the Board at their scheduled meetings.

Management with the assistance of external consultants had updated the Group's key risk profile on 27 Apr 2009. Risks identified are prioritized in terms of likelihood of their occurrence and the impact on the achievement of the Group's business objectives. The key risk profile is updated annually to ensure that all key risks are identified and adequate action plans are developed to mitigate such risks. The updated key risk profile was tabled to the Audit Committee on 27 May 2009.

The abovementioned practices/initiatives by management serves as the on-going process used to identify, evaluate and manage significant risks.

INTERNAL AUDIT

The Group's internal audit function is outsourced to external consultants to assist the Board and the Audit Committee in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the financial year ended 31 December 2009, internal audit was carried out in accordance with the internal audit plan approved by the Audit Committee. The results of the internal audit reviews and the recommendations for improvement were presented to the Audit Committee at their quarterly meetings. Based on the results of the internal audit reviews, identified weaknesses in internal control have been appropriately addressed and Senior Management will continue to ensure that appropriate action is taken to enhance and strengthen the internal control environment.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other 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 Audit Committee;
- The Executive Directors are closely involved in the running of business and operations of the Group. They report to the Board on significant changes in the business and external environment, which may affect the operations of the Group at large;
- Operations review meetings are held by the management on a monthly basis to monitor the progress of the business operations, deliberate significant issues and formulate appropriate measures; and
- Certain of the Group's operations are certified by ISO 9001:2000, ISO/TS 16949 and ISO 14001:2004. With such certifications, reviews are conducted by external parties particularly to ensure compliance with the terms and conditions of the respective certifications.
- Machinery segment and Automotive segment are reviewed and certified by ISO 9001:2000 and ISO/TS 16949 respectively where they meet specific requirement for a quality management system and demonstrate its ability to consistently provide product that meets customers and applicable regulatory requirements. These would enhance customers' satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customers and applicable regulatory requirements.
- Automotive segment is reviewed and certified by ISO 14001:2004 where they meet specific requirement for environmental management standards and demonstrate its ability to establish, implement, maintain and improve its environmental management system to conform with its stated environmental policy.

CONCLUSION

During 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 cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control.

This statement was approved by the Board of Directors on 16 April 2010.

The Board is fully accountable to ensure that the financial statements are drawn up in accordance with Companies Act, 1965 (the "Act") and the applicable approved accounting standards set by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2009 and of the results and cash flows of the Group and Company for the financial year ended on that date.

In the preparation of the financial statements, the Directors have :

a) applied relevant and appropriate accounting policies consistently and in accordance with applicable approved accounting standards;

b) made judgement and estimates that are prudent and reasonable; and

c) used the going concern basis for the preparation of the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept in accordance with the Act. The Directors also have overall responsibility in taking such steps as are reasonable open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Financial Statements

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit/(loss) for the year from continuing operations	3,230	(121)
Gain on sale of discontinued operation, net of tax	1,487	-
Profit/(Loss) for the year	4,717	(121)
Profit/(Loss) attributable to:		
Equity holders of the Company	4,605	(121)
Minority interest	112	-
Profit/(Loss) for the year	4,717	(121)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

Dividends

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

Directors of the Company

Directors who served since the date of the last report are:

Mohd Riani Bin Osman
Ng Wai Kee
Yap Siew Foong
Cham Bee Sim
Danny Ng Siew L'Leong
Pauline Teh @ Pauline Teh Abdullah
Mohamed Ghazali Bin Kamal Baharein
Foo Lee Khean

Directors' interests

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Direct interest in the Company				
Mohd Riani Bin Osman	2,389,336	-	-	2,389,336
Ng Wai Kee	700,900	-	-	700,900
Yap Siew Foong	1,263,730	-	-	1,263,730
Cham Bee Sim	249,572	-	-	249,572
Indirect interest in the Company				
Ng Wai Kee	15,680,000	-	-	15,680,000
Yap Siew Foong	15,680,000	-	-	15,680,000
Cham Bee Sim	15,680,000	-	-	15,680,000

By virtue of their interest in the ordinary shares of the Company, Mohd Riani Bin Osman, Ng Wai Kee, Yap Siew Foong and Cham Bee Sim are also deemed interested in the ordinary shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 25 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Treasury shares

During the financial year, the Company repurchased 153,500 of its issued ordinary shares from the open market at an average price of RM0.35 per share. The total consideration paid was approximately RM55,900 including transaction cost of RM1,900. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2009, the Group held 2,305,500 (2008 - 2,152,000) of the Company's shares. The number of outstanding ordinary shares of RM1 each in issue after the set off is 42,494,500 (2008 - 42,648,000).

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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 and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

Other statutory information (continued)

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the gain on sale of discontinued operation as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

....

Mohd Riani Bin Osman

....

Ng Wai Kee

Kuala Lumpur, Malaysia

Date: 16 April 2010

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 36 to 75 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2009 and of their financial performance and cash flows for the year then ended.

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

....

Mohd Riani Bin Osman

....

Ng Wai Kee

Kuala Lumpur, Malaysia

Date: 16 April 2010

Statutory Declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Ng Wai Kee**, the Director primarily responsible for the financial management of SMIS Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 75 are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 16 April 2010.

…………………………………………….
Ng Wai Kee

Before me:

Commissioner for Oaths

Report on the Financial Statements

We have audited the financial statements of SMIS Corporation Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 75.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Lim Hun Soon @ David Lim
Approval Number: 1514/05/10(J)
Chartered Accountant

Petaling Jaya,
Date: 16 April 2010

Balance Sheet as at 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Assets					
Property, plant and equipment	3	20,901	23,760	2	2
Goodwill on consolidation	4	710	710	-	-
Prepaid lease payments	5	1,974	2,010	-	-
Investment properties	6	1,350	1,391	-	-
Investment in subsidiaries	7	-	-	53,323	53,102
Other investments	8	11,744	11,823	-	2,779
Deferred tax assets	9	819	718	-	-
Total non-current assets		37,498	40,412	53,325	55,883
Receivables, deposits and prepayments	10	19,000	20,489	-	-
Inventories	11	13,408	15,315	-	-
Current tax assets		236	53	-	-
Assets classified as held for sale	12	-	1,219	-	379
Cash and cash equivalents	13	15,533	5,613	2,787	237
Total current assets		48,177	42,689	2,787	616
Total assets		85,675	83,101	56,112	56,499
Equity					
Share capital	14	44,800	44,800	44,800	44,800
Reserves	14	22,913	19,019	5,991	6,168
Total equity attributable to equity holders of the Company		67,713	63,819	50,791	50,968
Minority interest		259	-	-	-
Total equity		67,972	63,819	50,791	50,968
Liabilities					
Deferred tax liabilities	9	869	1,039	-	-
Total non-current liability		869	1,039	-	-
Payables and accruals	15	16,562	17,077	5,321	5,531
Liabilities classified as held for sale	12	-	774	-	-
Current tax liabilities		272	392	-	-
Total current liabilities		16,834	18,243	5,321	5,531
Total liabilities		17,703	19,282	5,321	5,531
Total equity and liabilities		85,675	83,101	56,112	56,499

The notes on pages 43 to 75 are an integral part of these financial statements.

Income Statements for the year ended 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Continuing operations					
Revenue		67,803	81,257	250	-
Cost of sales		(54,039)	(67,218)	-	-
Gross profit		13,764	14,039	250	-
Other operating income		256	329	-	49
Distribution expenses		(959)	(1,053)	-	-
Administrative expenses		(7,386)	(7,489)	(398)	(371)
Other operating expenses		(1,867)	(2,324)	(10)	(638)
Operating profit/(loss)	16	3,808	3,502	(158)	(960)
Interest income		68	-	37	-
Finance costs	18	(53)	(112)	-	-
Profit/(Loss) before tax		3,823	3,390	(121)	(960)
Tax expense	19	(593)	(1,116)	-	-
Profit/(Loss) for the year from continuing operations		3,230	2,274	(121)	(960)
Discontinued operation					
Gain from sale of discontinued operation	20	1,487	-	-	-
Loss from discontinued operation, net of tax	20	-	(1,489)	-	-
Profit/(Loss) for the year		4,717	785	(121)	(960)
Attributable to:					
Equity holders of the Company		4,605	785	(121)	(960)
Minority interest		112	-	-	-
Profit/(Loss) for the year		4,717	785	(121)	(960)
Basic earnings/(loss) per ordinary share (sen):	21				
from continuing operations		7.32	5.27		
from discontinued operation		3.49	(3.45)		
		10.81	1.82		

The notes on pages 43 to 75 are an integral part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2009

Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total Equity RM'000
		← Attributable to shareholders of the Company →							
		← Non-distributable →				Distributable			
At 1 January 2008		44,800	4,891	(579)	4	14,353	63,469	-	63,469
Purchase of treasury share at cost		-	-	(388)	-	-	(388)	-	(388)
Foreign exchange translation differences		-	-	-	(47)	-	(47)	-	(47)
Profit for the year		-	-	-	-	785	785	-	785
At 31 December 2008/1 January 2009		44,800	4,891	(967)	(43)	15,138	63,819	-	63,819
Purchase of treasury share at cost		-	-	(56)	-	-	(56)	-	(56)
Realisation of reserves on disposal of discontinued operation	20	-	-	-	43	(698)	(655)	-	(655)
Increase in equity interest of an existing subsidiary		-	-	-	-	-	-	147	147
Profit for the year		-	-	-	-	4,605	4,605	112	4,717
At 31 December 2009		44,800	4,891	(1,023)	-	19,045	67,713	259	67,972
		Note 14		Note 14	Note 14				

The notes on pages 43 to 75 are an integral part of these financial statements.

	Non-distributable			Distributable	
Company	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2008	44,800	4,891	(579)	3,204	52,316
Purchase of treasury share at cost	-	-	(388)	-	(388)
Loss for the year	-	-	-	(960)	(960)
At 31 December 2008/ 1 January 2009	44,800	4,891	(967)	2,244	50,968
Purchase of treasury share at cost	-	-	(56)	-	(56)
Loss for the year	-	-	-	(121)	(121)
At 31 December 2009	44,800	4,891	(1,023)	2,123	50,791
	Note 14		Note 14	Note 14	

The notes on pages 43 to 75 are an integral part of these financial statements.

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash flows from operating activities				
Continuing operations				
- Profit/(Loss) before tax	3,823	3,390	(121)	(960)
Discontinued operation			-	-
- Loss before tax	-	(1,489)	-	-
- Gain from sale of discontinued operation	1,487	-	-	-
	5,310	1,901	(121)	(960)
Adjustments for:				
Allowance for doubtful debts	120	5	-	-
Amortisation of prepaid lease payments	36	36	-	-
Bad debts written off	15	-	-	-
Depreciation of investment properties	41	41	-	-
Depreciation of property, plant and equipment	3,581	3,721	-	1
Gain on disposal of property, plant and equipment	(25)	(51)	-	-
Interest received	(68)	-	(37)	-
Interest expense	17	31	-	-
Impairment loss on goodwill	-	789	-	-
Impairment loss on investment in subsidiaries	-	-	-	637
Plant and equipment written off	247	2	-	-
Reversal of allowance for doubtful debts	(5)	(4)	-	-
Reversal of for diminution in value of other investments	-	(64)	-	(47)
Unrealised foreign exchange gain	(8)	-	-	-
Operating profit/(loss) before changes in working capital	9,261	6,407	(158)	(369)
Changes in working capital:				
Inventories	1,907	(2,654)	-	-
Payables and accruals	(1,985)	880	(210)	229
Receivables, deposits and prepayments	1,358	1,997	-	3
Cash generated from/(used in) operations	10,541	6,630	(368)	(137)
Interest paid	(17)	(31)	-	-
Tax refunded	-	232	-	27
Tax paid	(1,168)	(779)	-	-
Net cash from/(used in) operating activities	9,356	6,052	(368)	(110)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Cash flows from investing activities					
Acquisition of other investments		(2,700)	-	-	-
Acquisition of property, plant and equipment	(i)	(849)	(2,387)	-	-
Interest received		68	-	37	-
Investment in an existing subsidiary		-	-	(221)	-
Proceeds from disposal of other investments		2,779	-	2,779	-
Proceeds from disposal of discontinued operation		379	-	379	-
Proceeds from disposal of property, plant and equipment		26	56	-	-
Net cash (used in)/from investing activities		(297)	(2,331)	2,974	-
Cash flows from financing activities					
Purchase of treasury shares at cost		(56)	(388)	(56)	(388)
Net cash used in financing activities		(56)	(388)	(56)	(388)
Net increase/(decrease) in cash and cash equivalents		9,003	3,333	2,550	(498)
Effect of exchange rate fluctuation on cash held		-	(49)	-	-
Cash and cash equivalents at 1 January		6,530	3,246	237	735
Cash and cash equivalents at 31 December	(ii)	15,533	6,530	2,787	237

Notes to cash flow statements

i) *Acquisition of property, plant and equipment*

During the financial year, the Group acquired property, plant and equipment amounting to RM969,000 (2008 - RM2,607,000) of which RM120,000 (2008 - RM220,000) was accrued for.

ii) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Cash and bank balances	13	15,533	5,613	2,787	237
Cash and cash equivalents classified as held for sale	12	-	917	-	-
		15,533	6,530	2,787	237

The notes on pages 43 to 75 are an integral part of these financial statements.

SMIS Corporation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office
Lot 6.05, Level 6
KPMG Tower, 8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Principal place of business
No 19, Jalan Dua
Off Jalan Chan Sow Lin
55200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2009 do not include other entities.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

The financial statements were approved by the Board of Directors on 16 April 2010.

1. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company:

FRSs, Interpretations and amendments effective for annual period beginning on or after 1 July 2009

- FRS 8, *Operating Segments*

FRSs, Interpretations and amendments effective for annual period beginning on or after 1 January 2010

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements (revised)*
- FRS 123, *Borrowing Costs (revised)*
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

***FRSs, Interpretations and amendments effective for annual period beginning on or after 1 January 2010* (continued)**

- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  - *Puttable Financial Instruments and Obligations Arising on Liquidation*
  - *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
  - *Reclassification of Financial Assets*
  - *Collective Assessment of Impairment for Banking Institutions*
- FRS 101, *Presentation of Financial Statements (revised)*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, FRS 2 - *Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual period beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- FRS 3, *Business Combinations (revised)*
- FRS 127, *Consolidated and Separate Financial Statements (revised)*
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for:
  - Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
  - FRS 4, *Insurance Contracts*
  - FRS 123, *Borrowing Costs (revised)*
  - Amendments to FRS 139, *Financial Instruments: Recognition and Measurement - Collective Assessment of Impairment for Banking Institutions*
  - IC Interpretation 9, *Reassessment of Embedded Derivatives*
  - IC Interpretation 13, *Customer Loyalty Programmes*
  - IC Interpretation 14, FRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

which are not applicable to the Group and the Company; and

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 or 1 January 2011, except for:
  - Amendments to FRS 2, *Share-based Payment*
  - IC Interpretation 12, *Service Concession Agreements*
  - IC Interpretation 15, *Agreements for the Construction of Real Estate*
  - IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
  - IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
  - Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information are presented in RM and have been rounded to the nearest thousand, unless otherwise stated.

1. **Basis of preparation (continued)**

(d) **Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in the following notes:

- Note 6 - valuation of investment properties
- Note 9 - recognition of capital allowances carry-forwards

2. **Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities.

(a) **Basis of consolidation**

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is held for sale.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

When a Group purchases a subsidiary's equity shares from minority interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets (excluding goodwill) of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of the losses previously absorbed by the Group has been recovered.

(iv) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with subsidiaries are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are translated at exchange rate at the date of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

2. Significant accounting policies (continued)

(c) Property, plant and equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" or "other operating expenses" respectively in the income statement.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the income statement on straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land and capital work-in-progress are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	50 years
• Plant and machinery	5 - 10 years
• Office equipment, furniture and fittings and renovation	3 - 50 years
• Motor vehicles	3 - 10 years
• Moulds and jigs	3 - 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

2. Significant accounting policies (continued)

(d) Leased assets

(i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating lease

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments, except for leasehold land classified as investment property.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(e) Intangible assets

(i) Goodwill

Goodwill arises on business combination and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisition beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

(ii) Amortisation

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired.

2. Significant accounting policies (continued)

(f) Investments in debt and equity securities

Investments in debt and equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value,

- All current investments are carried at the lower of cost and market value, determined on an aggregate portfolio or individual investment basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities and non-current debt securities other than investment in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

(i) the recognition of an asset on the day it is received by the entity, and
(ii) the derecognition of an asset and recognition of any gain or loss on disposal on the date it is delivered.

(g) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These includes land (other than leasehold land) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(c).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 50 years.

(ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

2. Significant accounting policies (continued)

(g) Investment properties (continued)

(ii) Determination of fair value (continued)

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 6.

(h) Inventories

Raw materials, work-in-progress and manufactured goods are measured at the lower of cost and net realisable value with first-in first-out being the main basis for cost. For work-in-progress and manufactured goods, cost includes an appropriate share of production overheads based on normal operating capacity. For trading goods, cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

In arriving at net realisable value, a write down is made, where necessary, for obsolete and slow moving items.

(i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(j) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statements. Gains are not recognised in excess of any cumulative impairment loss.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

2. **Significant accounting policies (continued)**

(l) **Impairment of assets**

The carrying amounts of assets except for financial assets, inventories and deferred tax assets, non-current assets classified as held for sale are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated usually at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

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

(m) **Share capital**

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

(n) **Employee benefits**

Short- term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employees Provident Fund is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant accounting policies (continued)

(o) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(p) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(q) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(r) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

(s) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

2. Significant accounting policies (continued)

(s) Tax expense (continued)

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance is treated as tax base of assets and is recognised as a reduction of tax expense as and when it is utilised.

(t) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statements is restated as if the operation had been discontinued from the start of the comparative period.

(u) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

Group Cost	Note	Freehold 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
At 1 January 2008		1,555	12,996	30,551	7,234	2,333	3,197	-	57,866
Additions		-	-	755	489	88	291	984	2,607
Disposals/write off		-	-	-	(4)	(102)	(26)	-	(132)
Effect of movements in exchange rates		-	-	-	3	-	-	-	3
Transfer to assets held for sale	12	-	-	-	(89)	-	-	-	(89)
At 31 December 2008/1 January 2009		1,555	12,996	31,306	7,633	2,319	3,462	984	60,255
Additions		-	-	652	199	-	118	-	969
Disposals/write off		-	-	(800)	(13)	(135)	-	-	(948)
Transfer		-	-	664	-	-	320	(984)	-
At 31 December 2009		1,555	12,996	31,822	7,819	2,184	3,900	-	60,276
Depreciation and impairment loss									
At 1 January 2008									
Accumulated depreciation		-	3,194	18,769	4,366	1,637	2,498	-	30,464
Accumulated impairment loss		-	-	2,244	208	-	24	-	2,476
		-	3,194	21,013	4,574	1,637	2,522	-	32,940
Depreciation for the year	16	-	298	1,986	687	347	403	-	3,721
Disposals/write off		-	-	-	(2)	(102)	(20)	-	(124)
Transfer to assets held for sale	12	-	-	-	(42)	-	-	-	(42)
Accumulated depreciation		-	3,492	20,755	5,009	1,882	2,881	-	34,019
Accumulated impairment loss		-	-	2,244	208	-	24	-	2,476
At 31 December 2008/1 January 2009		-	3,492	22,999	5,217	1,882	2,905	-	36,495
Depreciation for the year	16	-	298	2,072	608	197	406	-	3,581
Disposals/write off		-	-	(556)	(10)	(135)	-	-	(701)
Accumulated depreciation		-	3,790	22,271	5,607	1,944	3,287	-	36,899
Accumulated impairment loss		-	-	2,244	208	-	24	-	2,476
At 31 December 2009		-	3,790	24,515	5,815	1,944	3,311	-	39,375
Carrying amounts									
At 1 January 2008		1,555	9,802	9,538	2,660	696	675	-	24,926
At 31 December 2008/ At 1 January 2009		1,555	9,504	8,307	2,416	437	557	984	23,760
At 31 December 2009		1,555	9,206	7,307	2,004	240	589	-	20,901

3. Property, plant and equipment (continued)

Company Cost	Note	Office equipment RM'000
At 1 January 2008/31 December 2009		9
Accumulated depreciation		
At 1 January 2008		6
Depreciation for the year	16	1
At 31 December 2008/1 January 2009		7
Depreciation for the year	16	-
At 31 December 2009		7
Carrying amounts		
At 1 January 2008		3
At 31 December 2008/1 January 2009		2
At 31 December 2009		2

3.1 The title to the freehold land of a subsidiary costing RM1,555,000 (2008 - RM1,555,000) is pending registration to the name of the subsidiary.

3.2 Certain freehold land and buildings of the Group costing RM7,088,000 (2008 - RM14,249,000) have been assigned/pledged to financial institutions as security for borrowings/banking facilities granted to the subsidiaries. As at 31 December 2009, the Group has no exposure on the banking facilities assigned.

4. Goodwill on consolidation

Cost	Note	2009 RM'000	2008 RM'000
At 1 January		1,499	1,499
Derecognised on disposal of a subsidiary		(789)	-
At 31 December		710	1,499
Impairment loss			
At 1 January		789	-
Impairment loss	16	-	789
Derecognised on disposal of a subsidiary		(789)	-
At 31 December		-	789
Carrying amounts			
At 31 December		710	710

5. Prepaid lease payments

Group	Note	Unexpired lease period of more than 50 years 2009 RM'000	2008 RM'000
Long term leasehold land			
Cost			
At 1 January/31 December		2,583	2,583
Amortisation			
At 1 January		573	537
Amortisation for the year	16	36	36
At 31 December		609	573
Carrying amounts			
At 31 December		1,974	2,010

Security
At 31 December 2009, long term leasehold land of the Group costing RM1,123,000 (2008 - RM2,583,000) has been assigned to a licensed bank for banking facilities granted to the subsidiaries. As at 31 December 2009, the Group has no exposure on the banking facilities assigned.

6. Investment properties

Group	Note	Buildings 2009 RM'000	2008 RM'000
Cost			
At 1 January/31 December		2,544	2,544
Depreciation and impairment loss			
Accumulated depreciation		774	733
Accumulated impairment loss		379	379
At 1 January		1,153	1,112
Depreciation for the year	16	41	41
Accumulated depreciation		815	774
Accumulated impairment loss		379	379
At 31 December		1,194	1,153
Carrying amounts			
At 31 December		1,350	1,391
Fair values			
At 31 December		5,680	1,867

6. Investment properties (continued)

Estimation uncertainty and key assumptions

The Group estimated the fair values of its investment properties based on Directors' informal enquiries made with registered valuers.

Investment properties comprise a number of commercial properties that are leased to third parties. The lease is renewable on a yearly basis. No contingent rents are charged.

7. Investment in subsidiaries

	Note	Company 2009 RM'000	Company 2008 RM'000
At cost:			
Unquoted shares		59,443	60,459
Increase in investment in an existing subsidiary		221	-
Less: Accumulated impairment losses		(6,341)	(6,978)
		53,323	53,481
Less: Non-current assets held for sale	12	-	(379)
At 31 December		53,323	53,102

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2009 %	Effective ownership interest 2008 %
Grand Carpet Industries Sdn. Bhd.	Malaysia	Trading of carpet of all descriptions	100	100
Sanyco Grand Industries Sdn. Bhd.	Malaysia	Manufacturing of automotive braking components and motorcycle components	100	100
Machinery & Industrial Supplies Sdn. Bhd.	Malaysia	Trading of machinery and industrial parts supplies	100	100
Sugihara Grand Industries Sdn. Bhd.	Malaysia	Manufacturing and trading of carpet of all descriptions	60	60

7. Investment in subsidiaries (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2009 %	Effective ownership interest 2008 %
Cleon Technology Sdn. Bhd.	Malaysia	Manufacturing and trading of rechargeable lithium polymer batteries of all descriptions. The Company has ceased its business operation since January 2007.	66.25	66.25
Kyoto Energy Pte. Ltd.# *	Singapore	Project development, carbon advisory and carbon asset management services	-	61.39
Subsidiary of Kyoto Energy Pte. Ltd.				
Kyoto Energy Sdn. Bhd.#	Malaysia	Dormant	-	100

\# Classified as discontinued operation in 2008.
* Audited by other members firm of KPMG International.

Disposal of subsidiaries

Information relating to the disposal of Kyoto Energy Pte. Ltd. and its subsidiary is set out in Note 12.

8. Other investments

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-current					
At cost:					
Quoted investments in Malaysia		11,744	11,823	-	2,779
Market value:					
Quoted investments in Malaysia		11,847	12,152	-	2,792

9. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2009 RM'000	Assets 2008 RM'000	Liabilities 2009 RM'000	Liabilities 2008 RM'000	Net 2009 RM'000	Net 2008 RM'000
Property, plant and equipment	(698)	(37)	(869)	(1,781)	(1,567)	(1,818)
Provisions	812	755	-	47	812	802
Capital allowance carry-forwards	705	-	-	695	705	695
Tax loss carry-forwards	-	-	-	-	-	-
Net tax assets/(liabilities)	819	718	(869)	(1,039)	(50)	(321)

Movement in temporary differences during the year

	At 1.1.2008 RM'000	Recognised in income statement (Note 19) RM'000	At 31.12.2008 RM'000	Recognised in income statement (Note 19) RM'000	At 31.12.2009 RM'000
Property, plant and equipment	(1,827)	9	(1,818)	251	(1,567)
Provisions	868	(66)	802	10	812
Capital allowance carry-forwards	733	(38)	695	10	705
Tax loss carry-forwards	25	(25)	-	-	-
	(201)	(120)	(321)	271	(50)

In recognising the deferred tax assets attributable to unutilised capital allowance carry-forwards and unutilised tax loss carry-forwards, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised capital allowance carry-forwards amounting to approximately RM705,000 will not be available to the Group, resulting in a decrease in net deferred tax assets of RM705,000.

Unrecognised deferred tax assets

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

	Group 2009 RM'000	Group 2008 RM'000
Deductible temporary differences	(465)	(265)
Tax loss carry-forwards	3,812	6,695
Reinvestment allowance	1,835	1,682
Capital allowance carry-forwards	2,973	5,072
	8,155	13,184

9. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets (continued)

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit of the subsidiaries will be available against which the Group and Company can utilise the benefits there from.

10. Receivables, deposits and prepayments

	Note	Group 2009 RM'000	Group 2008 RM'000
Trade			
Trade receivables	a	16,712	18,802
Less: Allowance for doubtful debts	b	(235)	(120)
		16,477	18,682
Other receivables		1,977	1,102
Deposits		177	165
Prepayments	c	369	540
		2,523	1,807
		19,000	20,489

Note a

Credit terms of trade receivables range from 60 - 180 days (2008 - 60 - 180 days).

Note b

Included in allowance for doubtful debts of the Group are bad debts written off against allowance for doubtful debts amounting to RM15,000 (2008 - Nil).

Note c

Included in prepayments of the Group are deposits for the purchases of inventories amounting to RM100,000 (2008 - RM262,000).

11. Inventories

	Group 2009 RM'000	Group 2008 RM'000
At cost:		
Raw materials	4,842	4,711
Work-in-progress	452	465
Manufactured goods	857	1,542
Trading goods	6,710	7,090
	12,861	13,808
At net realisable value:		
Trading goods	547	1,507
	13,408	15,315

Raw materials and finished goods amounting to RM100,000 (2008 - RM136,000) and RM80,000 (2008 - Nil), respectively have been fully written down.

12. Disposal group held for sale

In 2008, consultancy service and environment segment was presented as a disposal group held for sale after the Company announced the decision to discontinue and dispose of its subsidiary, Kyoto Energy Pte. Ltd., comprising its entire consultancy service and environment division as disclosed in Note 20 and 22 to the financial statements. The sale was completed in March 2009. At 31 December 2008, the assets and liabilities of the disposal group were as follows:

	Note	Group 2008 RM'000
Assets classified as held for sale		
Property, plant and equipment	12.1	47
Receivables, deposits and prepayments	12.2	255
Cash and cash equivalents		917
		1,219
Liabilities classified as held for sale		
Payables and accruals		774
		774

12. Disposal group held for sale (continued)

12.1 Property, plant and equipment held for sale comprise the following:

	Group 2008 RM'000
Plant and equipment:	
Cost	89
Accumulated depreciation	(42)
	47

12.2 Receivables, deposits and prepayments were stated at cost.

The non-current asset classified as held for sale on the Company's balance sheet as at 31 December 2008 was as follows:

	Note	2008 RM'000
Asset		
Investment in a subsidiary	7	379

13. Cash and cash equivalents

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and bank balances	15,533	5,613	2,787	237

14. Share capital and reserves

	Group and Company			
	Amount 2009 RM'000	Number of shares 2009 '000	Amount 2008 RM'000	Number of shares 2008 '000
Share capital				
Ordinary shares of RM1.00 each				
Authorised	60,000	60,000	60,000	60,000
Issued and fully paid	44,800	44,800	44,800	44,800

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

14. Share capital and reserves (continued)

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in the annual general meeting held on 29 May 2009, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 153,500 of its issued ordinary shares from the open market at an average price of RM0.35 per share. The total consideration paid was approximately RM55,900 including transaction cost of RM1,900. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2009, the Group held 2,305,500 (2008 - 2,152,000) of the Company's shares. The number of outstanding ordinary shares of RM1 each in issue after the setoff is 42,494,500 (2008 - 42,648,000).

Details of the shares buy-back were as follows:

2009	Average price paid RM	Highest price paid RM	Lowest price paid RM	Number of shares purchase and retained as treasury share units	Total consideration paid RM
January - March	0.332	0.330	0.280	58,500	19,401
April - June	0.310	0.310	0.285	37,800	11,714
July - September	0.374	0.450	0.310	6,000	2,244
October - December	0.440	0.465	0.425	51,200	22,531
2008					
January - March	0.440	0.460	0.380	208,000	90,998
April - June	0.370	0.400	0.340	232,900	87,595
July - September	0.380	0.395	0.360	369,700	141,403
October - December	0.360	0.380	0.290	189,300	68,833

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained earnings at 31 December 2009 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

15. Payables and accruals

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Trade					
Trade payables	a	8,322	9,010	-	-
Non-trade					
Other payables and accruals	b	8,240	8,067	201	211
Amounts due to subsidiaries	c	-	-	5,120	5,320
		8,240	8,067	5,321	5,531
		16,562	17,077	5,321	5,531

Note a

Credit terms of trade payables range from 30 to 120 days (2008 - 30 to 120 days).

Note b

(i) Included in other payables and accruals of the Group is an amount of RM232,000 (2008 - RM327,000) accrued for the acquisition of plant and machineries.

(ii) Included in other payables and accruals of the Group is an amount of RM36,000 (2008 - RM36,000) of deposits received from a customer of a subsidiary.

Note c

The amounts due to subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

16. Operating profit/(loss)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Revenue - manufacturing		54,930	62,761	-	-
- trading		12,873	18,496	-	-
- dividends		-	-	250	-
		67,803	81,257	250	-
Cost of manufactured goods		(45,434)	(54,930)	-	-
Cost of goods sold		(8,605)	(12,288)	-	-
Gross profit		13,764	14,039	250	-

16. Operating profit/(loss) (continued)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Operating profit/(loss) is arrived at after charging:					
Allowance for doubtful debts		120	5	-	-
Amortisation of prepaid lease payments	5	36	36	-	-
Auditors' remuneration:					
- Statutory audit		101	104	30	25
- Other service		10	10	10	10
Bad debts written off		15	-	-	-
Depreciation of investment properties	6	41	41	-	-
Depreciation of property, plant and equipment	3	3,581	3,721	-	1
Impairment loss on goodwill	4	-	789	-	-
Impairment loss on investment in subsidiaries		-	-	-	637
Inventories written down		180	136	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		848	773	-	-
- Wages, salaries and others		11,276	11,029	16	19
Plant and equipment written off		247	2	-	-
Realised foreign exchange loss		29	8	10	-
Rental expenses for warehouse and staff housing facilities		49	73	-	-
Unrealised foreign exchange loss		-	8	-	-
and after crediting:					
Gain on disposal of property, plant and equipment		25	51	-	-
Gain from disposal of discontinued operation		1,487	-	-	-
Government grant from SMIDEC		19	-	-	-
Interest income		68	-	37	-
Realised foreign exchange gain		-	8	-	-
Rental income from properties		164	175	-	-
Reversal of allowance for doubtful debts		5	4	-	-
Reversal of allowance for diminution in value of other investments	8	-	64	-	47
Unrealised foreign exchange gain		8	-	-	-

17. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Company's Directors				
- Fees	136	118	136	118
- Remuneration	888	879	16	19
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	25	28	-	-
Other Directors				
- Remuneration	401	398	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	8	13	-	-
Other from management personnel:				
- Remuneration	675	570	-	-
	2,133	2,006	152	137

18. Finance costs

	Group	
	2009 RM'000	2008 RM'000
Interest expense on:		
Bank overdrafts	-	12
Bank guarantees	3	2
Letter of credit	14	17
	17	31
Other bank charges	36	96
	53	127
Less: interest expenses on discontinued operation	-	(15)
	53	112

19. Tax expense

Recognised in the income statement

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Tax expense on continuing operations		593	1,116	-	-
Tax expense on discontinued operation		-	-	-	-
Total tax expense		593	1,116	-	-
Major components of tax expense include:					
Current tax expense					
- current year		840	1,023	-	-
- under/(over) provision in prior year		24	(27)	-	-
Total current tax		864	996	-	-
Deferred tax expense					
- origination and reversal of temporary differences		(173)	266	-	-
- over provision in prior year		(98)	(146)	-	-
Total deferred tax	9	(271)	120	-	-
Total tax expense		593	1,116	-	-

Reconciliation of effective tax expense

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Profit/(Loss) for the year	3,230	2,274	(121)	(960)
Total tax expense	593	1,116	-	-
Profit before tax	3,823	3,390	(121)	(960)
Tax calculated using Malaysian tax rates*	956	861	(30)	(250)
Non-deductible expenses	200	604	30	250
Tax exempt income	62	-	-	-
Effect of changes in tax rates *	-	(13)	-	-
Effect of deferred tax asset not recognised	-	1	-	-
Utilisation of previously unrecognised unabsorbed capital allowance	(551)	(164)	-	-
	667	1,289	-	-
Over provision in prior year	(74)	(173)	-	-
	593	1,116	-	-

* The corporate tax rates are 26% for year of assessment 2008, 25% for year of assessment 2009 and the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

20. Discontinued operation

On 23 January 2009, the Company entered into a Sale of Shares Agreement to dispose its entire equity interest of a subsidiary, Kyoto Energy Pte. Ltd. The disposal was completed in March 2009. The disposal of Kyoto Energy Pte. Ltd., which represented the consultancy service and environment division of the Group was classified as held for sale as a discontinued operation at 31 December 2008. The comparative consolidated income statements was presented to show the discontinued operation separately from continuing operations.

Loss attributable to the discontinued operation was as follows:

Results of discontinued operation

	Group	
	2009 RM'000	2008 RM'000
Revenue	-	1,355
Expenses	-	(2,829)
Results from operating activities	-	(1,474)
Finance costs	-	(15)
Loss before tax	-	(1,489)
Tax expense	-	-
Loss for the year	-	(1,489)
Gain from sale of discontinued operation	1,487	-
	1,487	(1,489)
Included in results from operating activities are:		
Auditors remuneration:		
- Statutory audit		
- KPMG	-	10
- Affiliate of KPMG	-	10
Depreciation of plant and equipment	-	31
Personnel expenses (including key management personnel):		
- Contributions to Employees Provident Fund	-	15
- Wages, salaries and others	-	1,102
Realised foreign exchange loss	-	14
Cash flows from discontinued operation/ Net cash used in discontinued operation		
Net cash from operating activities	-	30
Net cash used in investing activities	-	(51)
	-	(21)

20. Discontinued operation (continued)

(a) Effect of disposal on the financial position of the Group

	Group 2009 RM'000
Property, plant and equipment	47
Receivables, deposits and prepayments	256
Payables and accruals	(756)
Transfer from translation reserve	43
Net liabilities	(410)
Realisation of post acquisition reserves	(698)
Gain from sale of discontinued operation	1,487
Net cash inflow - consideration received, satisfied in cash	379

21. Earnings/(Loss) per ordinary share

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2009 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2009 RM'000	2008 RM'000
Profit/(Loss) for the year attributable to ordinary shareholders:		
- from continuing operations	3,118	2,274
- from discontinued operation	1,487	(1,489)
	4,605	785

Weighted average number of ordinary shares

	Group	
	2009 '000	2008 '000
Issued ordinary shares at 1 January	44,800	44,800
Effect of treasury shares held	(2,233)	(1,639)
Weighted average number of ordinary shares at 31 December	42,567	43,161

21. Earnings/(Loss) per ordinary share (continued)

	Group	
	2009 sen	2008 sen
Basic earnings/(loss) per ordinary share:		
- from continuing operations	7.32	5.27
- from discontinued operation	3.49	(3.45)
	10.81	1.82

22. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly assets and revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Business segments

The Group comprises the following main business 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.
Battery products	Manufacturing and trading of rechargeable lithium polymer batteries of all descriptions.
Consultancy service & environment	Project development, carbon advisory and carbon asset management services.

Geographical segments

The engineering consultancy service & environment segment operates in Singapore while the other segments operate solely in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

As disclosed in Note 20, the Group discontinued its consultancy service & environment division. In the current financial year, segment reporting for geographical segment is not presented as the Group predominantly operates in Malaysia.

22. Segment reporting (continued)

	Automotive parts 2009 RM'000	Automotive parts 2008 RM'000	Machinery parts 2009 RM'000	Machinery parts 2008 RM'000	Battery products 2009 RM'000	Battery products 2008 RM'000	Consultancy service & environment 2009 RM'000	Consultancy service & environment 2008 RM'000	Group 2009 RM'000	Group 2008 RM'000
Business segments										
Total revenue	54,930	62,761	12,873	18,496	-	-	-	1,355	67,803	82,612
Inter segment revenue	-	-	-	-	-	-	-	-	-	-
Continuing operations	54,930	62,761	12,873	18,496	-	-	-	-	67,803	81,257
Discontinued operation	-	-	-	-	-	-	-	1,355	-	1,355
Revenue from external customers	54,930	62,761	12,873	18,496	-	-	-	1,355	67,803	82,612
Segment result	3,968	2,312	256	2,315	(8)	(14)	-	(1,474)	4,216	3,139
Unallocated corporate expenses									(408)	(1,111)
Less: Results from discontinued operation									-	1,474
Financing costs									(53)	(112)
Interest income									68	-
Profit before tax									3,823	3,390
Tax expense									(593)	(1,116)
Profit for the year									3,230	2,274
Gains from sale of discontinued operation									1,487	-
Loss from discontinued operation, net of tax									-	(1,489)
Minority interest									(112)	-
Profit attributable to equity holders of the Company									4,605	785
Segment assets	59,301	54,697	21,772	22,631	48	55	-	-	81,121	77,383
Assets classified as held for sale									-	1,219
Unallocated corporate assets									3,844	3,789
Goodwill on consolidation									710	710
Total assets									85,675	83,101
Segment liabilities	15,054	14,158	1,159	2,560	148	148	-	-	16,361	16,866
Unallocated corporate liabilities									1,342	1,642
Liabilities classified as held for sale									-	774
Total liabilities									17,703	19,282
Capital expenditure	940	2,268	29	286	-	-	-	53	969	2,607
Depreciation and amortisation										
- property, plant and equipment	3,289	3,282	292	408	-	-	-	31	3,581	3,721
- prepaid lease payments	16	16	20	20	-	-	-	-	36	36
- investment properties	6	6	35	35	-	-	-	-	41	41
Plant and equipment written-off	247	-	-	-	-	-	-	-	247	-
Gain on disposal of plant and equipment	(5)	(11)	(20)	(40)	-	-	-	-	(25)	(51)

23. Financial instruments

Financial risk management objectives and policies

Exposure to credit, foreign currency, liquidity and cash flow, and interest rate risk arises in the normal course of the Group and Company's business. The Group and Company's overall business strategies, their tolerance to risk and their general risk management philosophy are guided by policies set by the Directors. The Board of Directors regularly review such policies and the Directors actively participate in the daily activities of the Group and Company to ensure that policies set in place are adhered to.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Formal credit evaluations are performed on new customers while periodic informal credit evaluations are performed for monitoring purposes. The Group does not require collateral in respect of financial assets and credit terms and limits are set for their customers.

The Group has trade account receivables from manufacturing and sales of its automotive products for which risk of non-payment is affected by conditions mainly in the automotive industry.

As at 31 December 2009, approximately 74% (2008 - 67%) of the Group's trade receivables were due from 12 (2008 - 12) major customers. Trade receivables balances from these 12 (2008 - 12) major customers amounted to RM12,140,000 (2008 - RM12,658,000). The Directors are closely monitoring the credit risk exposure on these major customers. Based on past trends, the Directors do not view the credit risk exposure on these customers to be significant as they are the major automotive assemblers and manufacturers in the country.

The carrying amount of trade and other receivables represents the Group's maximum exposure to credit risk.

Foreign currency risk

The Group has exposure to foreign currency risk as a result of its trade purchases that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily US Dollar, Japanese Yen, EURO and Thai Baht.

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

Liquidity and cash flow risk

Prudent liquid risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Interest rate risk

The Group and Company is not exposed to significant interest rate risk as there are no significant interest bearing assets and liabilities.

23. Financial instruments (continued)

Fair values

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

Fair value of quoted investment is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

In respect of amounts due to subsidiaries, it was not practicable to estimate the fair value due to the lack of specific repayment terms entered by the parties involved and without incurring excessive costs.

24. Capital commitments

	Group	
	2009 RM'000	2008 RM'000
Property, plant and equipment		
Contracted but not provided for in the financial statements	80	61

25. Related parties

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

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

25. Related parties (continued)

Other related party transactions

Significant transactions with related parties are as follows:

	Group	
	2009 RM'000	2008 RM'000
San Yes Automotive Technology Co. Ltd. ("San Yes")		
Royalties payable	3	48
Purchase of raw materials	145	570
Purchase of consumables	17	26
Continental Teves Taiwan Co. Ltd. ("Teves")		
Purchase of raw materials	596	442
Purchase of consumables	19	-
Sugihara Co. Ltd. ("SUGI-Japan")		
Technical assistance fees payable	40	40
Royalties payable	390	531
Other expenses	56	39

San Yes is a substantial shareholder of the Company through its interest of more than twenty percent (20%) in Miyes Holdings Sdn. Bhd. ("MIYES"). The Company Directors Cham Bee Sim, Ng Wai Kee and Yap Siew Foong have indirect interest in MIYES. Cham Bee Sim and Ng Wai Kee are also directors of MIYES.

Teves is a related company as San Yes holds direct equity interest of more than twenty percent (20%) in Teves.

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

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

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM 60,000,000
Issued and paid- Up Share Capital	:	RM 48,800,000
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per share

(Against Total Issued Capital of 42,409,700)

Size of Holdings	No of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities	% of Issued Capital *
1 - 99	6	0.4415	183	0.0004
100 - 1,000	343	25.2391	328,175	0.7138
1,001 - 10,000	752	55.3348	3,527,100	8.3167
10,001 - 2,128,824	256	18.8373	20,734,906	48.8918
2,128,825 and above	2	0.1471	17,819,336	42.0171
Total	**1,359**	**100.0000**	**42,409,700**	**100.0000**

Total No. of Shareholders/ Depositors	**:**	**1,359**
Total Shareholdings / Securities	**:**	**42,409,700**
Total Percentage (%)	**:**	**100.0000**

*Excluding a total of 2,390,300 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 8 April 2010.

LIST OF TOP 30 SHAREHOLDERS / DEPOSITORS

No	Name	Normal Holdings	Holding Percentage %
1	MIYES HOLDINGS SDN BHD	15,680,000	36.972
2	MOHD RIANI BIN OSMAN	2,139,336	5.044
3	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BSI SA (BSI BK SG-NR)	2,000,000	4.715
4	CHANG KUN-SHENG	1,948,700	4.594
5	YAP SIEW FOONG	1,263,730	2.979
6	NG ENG BEE	806,838	1.902
7	TEH HEAN IT	781,600	1.842
8	NG WAI KEE	640,900	1.511
9	NG ENG BEE	560,000	1.320
10	YEOH KEAN HUA	430,000	1.013
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP MEOW LIM (100463)	400,000	0.943
12	ENG KIM LIAN	380,964	0.898
13	YAP MEOW LIM	378,172	0.891
14	CHONG TECK HOO @ CHAM TECK HOO	367,089	0.865
15	CHAM BEE SENG @ CHIAM BEE SENG	350,089	0.825
16	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR MOHD RIANI BIN OSMAN (SMART)	250,000	0.589
17	TOH SIEW CHOO	210,000	0.495
18	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR TAN PUAI LING	200,000	0.471
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEE HIAN BOON @ CHEE AH DECK (KUCHING)	189,000	0.445
20	ONG LEA PING	174,600	0.411
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI GUAN (474333)	170,000	0.400
22	CHAN SENG CHEONG	157,500	0.371
23	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN	150,200	0.354
24	FOO TECK SENG	150,000	0.353
25	CHAM BEE SIM	149,572	0.352
26	NG KWEE ENG	142,018	0.334
27	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY YEN HONG (M)	141,500	0.333
28	TONG YOON CHONG @ THONG CHEONG CHOY	141,000	0.332
29	HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEK THIAM HONG	130,000	0.306
30	NG MEE LING	130,000	0.306
	TOTAL	**30,612,808**	**72.166**

Excluding a total of 2,390,300 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 8 April 2010.

SUBSTANTIAL SHAREHOLDERS AS AT 8 APRIL 2010

Name of Substantial Shareholder	Direct Interest No. of Shares	Direct Interest % of Issued Capital*	Indirect Interest No. of Shares	Indirect Interest % of Issued Capital*
MIYES Holdings Sdn Bhd ("MIYES")	15,680,000	36.97	-	-
Umberston Holdings Sdn Bhd ("Umberston")	-	-	15,680,000[1]	36.97
San Yes Automotive Technology Co., Ltd	-	-	15,680,000[1]	36.97
Ng Kwee Eng	142,018	0.33	15,680,000[2]	36.97
Yap Siew Foong	1,263,730	2.98	15,680,000[2]	36.97
Mohd Riani bin Osman	2,389,336	5.63	-	-

* Excludes 2,390,300 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 8 April 2010.

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

DIRECTORS' INTERESTS AS AT 8 APRIL 2010

Name of Director	Direct Interest No. of Shares	Direct Interest % of Issued Capital*	Indirect Interest No. of Shares	Indirect Interest % of Issued Capital*
Mohd Riani bin Osman	2,389,336	5.63	-	-
Yap Siew Foong	1,263,730	2.98	15,680,000[1]	36.97
Ng Wai Kee	700,900	1.65	15,680,000[1]	36.97
Cham Bee Sim	249,572	0.59	15,680,000[1]	36.97
Danny Ng Siew L'Leong	-	-	-	-
Pauline Teh @ Pauline Teh Abdullah	-	-	-	-
Mohamed Ghazali bin Kamal Baharein	-	-	-	-
Foo Lee Khean	-	-	-	-

* Excludes 2,390,300 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 8 April 2010.

(1) deemed interested through Umberston and MIYES

List of Properties

Registered Beneficial Owner	Location	Date of Valuation	Description and Existing Use	Tenure	Approximate Age of Property (Year)	Built Up area (Sq.m)	Net book Value as at 31 December 2009 (RM)
Machinery & Industrial Supplies Sdn Bhd	No 19, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur.	June 1, 2000	A double storey detached warehouse with 3 storey frontal office. Warehouse	Leasehold 66 years	13	3,866.5	2,728,800
Grand Carpet Industries Sdn Bhd	Lot 3, Jalan Sultan Hishamuddin 2, Kawasan Perusahaan Selat Kelang Utara, 42000 Port Klang, Selangor.	June 1, 2000	Industrial land erected with single and double storey office annexed. Office and factory	Leasehold 99 years	18	10,310.26	6,401,492
Sanyco Grand Industries Sdn Bhd	No 3, Jalan U1/15, Hicom Glenmarie Industrial Park, 40150 Shah Alam, Selangor.	June 1, 2000	Two single storey factories with office annexed. Office and factory	Freehold	11	2,140.37	3,601,026
Machinery & Industrial Supplies Sdn Bhd	No. 50 & 52, Jalan Brunei Utara, 55200 Kuala Lumpur.	June 1, 2000	2 adjoining units of 4 storey shop office. The ground floor to the second floor are rented out whilst the third floor is vacant.	Freehold	30	1,197.1	307,214
Machinery & Industrial Supplies Sdn Bhd	Lot 34, Jalan B 25/B, Taman Perindustrian AXIS, Section 25, 40400 Shah Alam, Selangor.	June 1, 2000	One unit of 3 storey shop office. Rented	Freehold	13	586.60	452,200
Machinery & Industrial Supplies Sdn Bhd	No 21 & 23 (Developer's Plot No.119 & 118), Taman Kenanga, Bandar Baru Salak Tinggi, 83800 Dengkil, Selangor Darul Ehsan.	Dec 23, 2005	Two units of an intermediate and end lot of three storey shophouse. The property is vacant.	Freehold	9	429.21	331,200
Grand Carpet Industries Sdn Bhd	Parcel No.A-42-09 (E), Berjaya Star City, Jalan Imbi, Section 52, 55100 Kuala Lumpur.	June 1, 2000	A 42nd Floor service suite within a high-rise commercial building housing retails and service apartment block. Rented	Freehold	7	53.70	258,789

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of the Company will be held at Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 27 May 2010 at 10.00 a.m. to transact the following businesses:-

AGENDA

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2009 together with the Directors' and Auditors' Reports thereon. ***Ordinary Resolution 1***

2. To approve the payment of Directors' Fees in respect of the financial year ended 31 December 2009. ***Ordinary Resolution 2***

3. To re-elect the following Directors retiring under Article 103 of the Company's Articles of Association:-
   i) Ms Yap Siew Foong ***Ordinary Resolution 3***
   ii) Mr Danny Ng Siew L'Leong ***Ordinary Resolution 4***
   iii) Encik Mohamed Ghazali Bin Kamal Baharein ***Ordinary Resolution 5***

4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 6***

As Special Business

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

5. **Authority under Section 132D of the Companies Act, 1965 ("the Act") for the Directors to allot and issue shares**

   "THAT pursuant to Section 132D of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and from time to time until the conclusion of the next Annual General Meeting ("AGM") upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company (excluding treasury shares) for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issue." ***Ordinary Resolution 7***

6. **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

   "THAT, pursuant to Paragraph 10.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company and its subsidiaries ("SMIS Group") be and are hereby authorised to enter into any of the recurrent transactions of a revenue or trading nature as set out under Section 2.3 of Part A of the Circular to Shareholders dated 5 May 2010 with the related parties mentioned therein which are necessary for the SMIS Group's day-to-day operations, subject further to the following:-

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

   AND THAT such approval will continue to be in force until:-
   (i) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Shareholders Mandate is approved, at which time it will lapse, unless by a resolution passed at the Meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but must not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
(iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

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

7. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares**

"THAT subject to the Act, the Memorandum and Articles of Association of the Company, the MMLR of Bursa Securities and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits and/or share premium of the Company as at 31 December 2009 of RM2.1 million and RM4.9 million respectively to purchase such amount of ordinary shares of RM1.00 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;

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

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 67A of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them;

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:
(i) the conclusion of the next AGM of the Company [being the Twelfth ("12th") 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 12th AGM of the Company is required by law to be held; or
(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

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

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

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

Selangor Darul Ehsan
Date: 5 May 2010

NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. A member may appoint not more than two (2) proxies to attend and vote at the same meeting. Where a member appoints the maximum of two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of the attorney.

4. The instrument appointing a proxy, with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority, must be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

5. **EXPLANATORY NOTES ON SPECIAL BUSINESS**

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

The Company had, during its Tenth Annual General Meeting ("AGM") held on 29 May 2009, obtained shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act. The Company did not issue any shares pursuant to this mandate obtained.

The Ordinary Resolution 7 proposed under item 5 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company (excluding treasury shares) for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

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

Please refer to the Circular to Shareholders dated 5 May 2010 for further information.

(iii) Ordinary Resolution No. 9 - Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

Please refer to the Share Buy-Back Statement dated 5 May 2010 for further information.

PROXY FORM

No of Shares

SMIS CORPORATION BERHAD (491857-V)
(Incorporated in Malaysia)

I/We, ...
of ....
being a member of SMIS CORPORATION BERHAD hereby appoint. ....
....
of..
or failing him/her ....
of ....
or failing him/her, *the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 27 May 2010 at 10.00 a.m. and at any adjournment thereof in respect of my/our shareholding in the manner indicated below:

** Please delete the words "Chairman of the Meeting" if you wish to appoint some other person to be your proxy.*

No.	Resolution	For	Against
Ordinary Resolution 1	Adoption of the Audited Financial Statements for the financial year ended 31 December 2009 and Directors' and Auditors' Reports		
Ordinary Resolution 2	Approval of Directors' Fees		
Ordinary Resolution 3	Re-election of Ms Yap Siew Foong as Director (Article 103)		
Ordinary Resolution 4	Re-election of Mr Danny Ng Siew L'Leong as Director (Article 103)		
Ordinary Resolution 5	Re-election of Encik Mohamed Ghazali Bin Kamal Baharein as Director (Article 103)		
Ordinary Resolution 6	Re-appointment of Auditors		
Ordinary Resolution 7	Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares		
Ordinary Resolution 8	Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 9	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares		

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

Dated this ....day of 2010

....
Signature/Common Seal of Shareholder

NOTES:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company, and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. A member may appoint not more than two (2) proxies to attend and vote at the same meeting. Where a member appoints the maximum of two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of the attorney.

4. The instrument appointing a proxy, with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority, must be deposited at the Registered Office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

Please fold here to seal

STAMP

THE SECRETARY
SMIS CORPORATION BERHAD
Lot 6.05, Level 6
Kpmg Tower
8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Please fold here to seal

SMIS Corporation Berhad
(491857-V)
(Incorporated in Malaysia under the Companies Act, 1965)

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