SMIS Corporation Berhad
(491857-V)

ANNUAL REPORT 2010

CONTENTS

Group Structure

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.
100%	EXSILIO PTE. LTD.

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

Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower,
8 First Avenue, Bandar Utama,
47800 Petaling Jaya,
Selangor Darul Ehsan.
Tel: 03-7720 1188 Fax: 03-7720 1111

Stock Exchange Listing

Bursa Malaysia Securities Berhad (Main Market)

Website

http://www.smis.com.my

Summary of Financial Highlights

Statement of financial position	2010 RM'000	2009 RM'000 restated	2008 RM'000 restated	2007 RM'000 restated	2006 RM'000 restated
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	(1,136)	(1,023)	(967)	(579)	(246)
Retained profits	25,158	19,045	15,138	14,353	15,251
Translation reserve	-	-	(43)	4	-
Fair value reserve	169	-	-	-	-
Minority shareholders' interests	2,618	259	-	-	-
Funds employed	76,500	67,972	63,819	63,469	64,696
Negative goodwill	-	-	-	-	-
	76,500	67,972	63,819	63,469	64,696
Property, plant and equipment	22,124	22,875	25,770	26,972	28,792
Goodwill	710	710	710	1,499	710
Investment properties	1,308	1,350	1,391	1,432	1,740
Other investments	11,869	11,744	11,823	11,759	-
Deferred tax assets	1,776	819	718	733	760
Current assets	58,912	48,177	42,689	39,346	45,632
Total assets	96,699	85,675	83,101	81,741	77,634
Total liabilities	(20,199)	(17,703)	(19,282)	(18,272)	(12,938)
	76,500	67,972	63,819	63,469	64,696
Statement of comprehensive income					
Revenue	97,487	67,803	81,257	70,818	77,144
Other operating income	1,105	256	329	759	458
Other operating expenses	(88,703)	(64,251)	(78,084)	(71,572)	(77,088)
Operating profit	9,889	3,808	3,502	5	514
Financing costs	(71)	(53)	(112)	(140)	(144)
Interest income	40	68	-	42	285
Profit/(Loss) before taxation	9,858	3,823	3,390	(93)	655
Tax expense	(1,386)	(593)	(1,116)	(273)	(1,137)
Profit/(Loss) for the year from continuing operation	8,472	3,230	2,274	(366)	(482)

Statement of comprehensive income (continued)	2010 RM'000	2009 RM'000 restated	2008 RM'000 restated	2007 RM'000 restated	2006 RM'000 restated
Discontinued operation					
Loss from discontinued operation	-	1,487	(1,489)	(678)	-
Profit/(Loss) for the year	8,472	4,717	785	(1,044)	(482)
Other comprehensive income, net of tax					
Fair value of available-for-sale financial assets	99	-	-	-	-
Total comprehensive income/ (expense) for the year	8,571	4,717	785	(1,044)	(482)
Profit attributable to :					
Shareholders of the company	6,113	4,605	785	(898)	510
Minority interests	2,359	112	-	(146)	(992)
Profit/(Loss) for the year	8,472	4,717	785	(1,044)	(482)
Total comprehensive income attributable to :					
Owners of the Company	6,212	4,605	785	(898)	510
Minority interest	2,359	112	-	(146)	(992)
Total comprehensive income for the year	8,571	4,717	785	(1,044)	(482)

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 65, 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 59, was appointed as an 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 40, was appointed as an Executive Director of SMIS on 2 February 2002.

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 95 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 67, was appointed as 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 95 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 63, was appointed as an Executive Director of SMIS on 2 February 2002.

He 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 95 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 53, 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 Committees 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 41, 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 in 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 Committees.

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 48, 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 Accountants, United Kingdom and Malaysian 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 the same year before leaving in 2005 to join as a partner of Strategic Capital Advisory.

He also serves as Director of SYF Resources Berhad and Kumpulan Jetson 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 Director at Board Meetings are set out on page 14 of the Annual Report.

Chairman's Statements

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 31 December 2010.

INDUSTRY OVERVIEW

The Total Industry Volume (TIV) of new motor vehicles registered in Malaysia for 2010 surpassed all previously recorded volume, growing by 12.7% as compared to 2009. The growth was fuelled by improved consumer sentiment as a result of a recovering economy and pent-up demand from the 2009 down turn. Introduction of new models at competitive prices also helped push the TIV further.

The Malaysian Automotive Association ("MAA") forecast a marginal growth of 2.1% for 2011.

FINANCIAL HIGHLIGHTS

The group revenue for 2010 was RM97.5 million which represent an increase of 44% from the previous year of RM67.8 million. Both the automotive and machinery parts divisions recorded increased revenue for the year under review. The group profit before tax for 2010 was RM9.9 million compared to RM3.8 million in 2009. Whilst benefiting from increased volume in the automotive sector, continuous improvements in efficiency and cost management initiative also helped the Company register a significant increase in profits.

PROSPECTS

Positive consumer sentiment is still evident as we enter into 2011 and should remain strong with various economic stimulus packages and transformation programs announced by the government. SMIS foresees its revenue to increase marginally in line with the marginal growth in the automotive industry as per MAA forecast.

ACKNOWLEDGEMENT

On behalf of the Board, I extend my sincere appreciation to every employee for their loyalty, conscientious efforts and commitment. Through their dedication over the years the group was able to benefit as the economy recovered.

I would also like to thank our valued shareholders, business associates, suppliers, and financiers for their continued support and 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 ("the Board") of SMIS Corporation Berhad is committed to ensuring that good corporate governance practices are applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and to improve its financial performance. The Board is pleased to provide a statement on the manner in which the Company has applied the principles laid down in Part 1 of the Malaysian Code on Corporate Governance ("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 13 April 2011.

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 ("Bursa Securities") 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 6 to 9 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 over the overall performance of the Company and the Group by discharging its stewardship responsibilities through providing strategic leadership, overseeing the conduct of the Group's business, identification and management of principal risks, reviewing the adequacy and integrity of the Group'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 and implementation of policies and strategies adopted by the Board.

(c) **Board Meetings**

During the financial year ended 31 December 2010, the Board met 5 times to deliberate and consider 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 Director	Designation	No. of Meetings Attended
Mohamed Ghazali bin Kamal Baharein	Independent Non-Executive Director, Chairman	5/5
Danny Ng Siew L'Leong	Senior Independent Non-Executive Director	4/5
Pauline Teh @ Pauline Teh Abdullah	Independent Non-Executive Director	4/5
Foo Lee Khean	Independent Non-Executive Director	5/5
Mohd Riani bin Osman	Executive Director	5/5
Ng Wai Kee	Executive Director	5/5
Yap Siew Foong	Executive Director	5/5
Cham Bee Sim	Executive Director	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 permit 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 as prescribed by Bursa Securities. In addition, any newly appointed directors will be given briefings and orientation by the executive directors and top management of the Company on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as directors.

During the financial year, the Directors have attended the following training:

Name of Director	No.	Programme	Date
Danny Ng Siew L'Leong	1	Recent Trends in Valuation, held by KPMG Malaysia	7th July 2010
	2	Audit Committee Institute Roundtable discussion titled Going Forward: Risk & Reform – Implications for Audit Committee Oversight held by KPMG Malaysia	13th July 2010
Foo Lee Khean	1	Economics and Capital Market II: Macroeconomic Analytics - Clues to the Future held by Securities Industry Development Corporation	13th March 2010
	2	Economics and Capital Market I: Forces Shaping Global Capital Markets held by Securities Industry Development Corporation	2nd October 2010
	3	Goods and Services Tax : Are you Getting Ready for GST in Malaysia held by Tricor Tax Services Sdn Bhd	14th July 2010

However, Mr Mohamed Ghazali bin Kamal Baharein, Mr Mohd Riani bin Osman, Ms Pauline Teh @ Pauline Teh Abdullah, Mr Ng Wai Kee, Ms Yap Siew Foong and Mr Cham Bee Sim did not attend any training for the financial year ended 31 December 2010 due to their hectic schedule.

Given the fact that Directors roles are increasingly demanding in an organisation, the Board will ensure that all its members continue to keep abreast with the relevant developments in industry changes, laws, regulations and business management. The Directors are committed to the continuous education programme and will endeavor to fulfill their training requirement for the financial year ending 31 December 2011.

(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/functions 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 in 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:

Audit Committee

The terms of reference, the number of meetings held during the financial year and the attendance of each member can be found on pages 21 to 26 of the Audit Committee Report.

Nomination Committee

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, and 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 2010, 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 the 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 Directors' fees of the Non-Executive Directors.

None of the individual Executive and Non-Executive Directors participates in determining their individual remuneration/fees.

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 2010 are as follows:

Aggregate remuneration:

Category of Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Basic Salary	669,600	-	669,600
Bonuses	181,699	-	181,699
Fees	48,000	96,000	144,000
Attendance Fee	-	17,500	17,500
Others	127,756	-	127,756
Total	1,027,055	113,500	1,140,555

Number of Directors whose remuneration fall into the following bands:

Remuneration Band	Number of Director		
	Executive	Non-Executive	Total
Below RM50,000	-	4	4
RM150,001 to RM200,000	1	-	1
RM200,001 to RM250,000	1	-	1
RM250,001 to RM300,000	1	-	1
RM300,001 to RM350,000	1	-	1
Total	4	4	8

The Board has chosen to disclose the remuneration in bands pursuant to the Listing Requirements and are of the opinion that detailed disclosure of individual director's remuneration will not add significantly to the understanding and evaluation of the Company's governance.

SHAREHOLDERS

(a) Shareholders and Investor Relations

The Company acknowledges 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) 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 provide 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 29 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 27 to 28 in the Annual Report.

(c) Relationship with Auditors

The Board maintains a transparent and professional relationship with the Group's external and internal auditors. The roles of the Audit Committee in relation to the external and internal auditors are explained in the Audit Committee Report on pages 21 to 26 of the Annual Report.

OTHER INFORMATION

(a) Corporate Social Responsibility (CSR)

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

(b) Share Buy-Back

The details of shares bought back and retained as treasury shares during the financial year ended 31 December 2010 are set out as below:-

	Number of SMIS Shares Purchased	Highest Price RM	Lowest Price RM	Average Price RM	Total Amount Paid RM
Jan-10	-	-	-	-	-
Feb-10	5,000	0.46	0.46	0.46	2,344
Mar-10	61,000	0.46	0.42	0.44	27,460
Apr-10	48,800	0.46	0.45	0.45	22,482
May-10	48,800	0.45	0.44	0.44	21,857
Jun-10	24,000	0.50	0.46	0.48	11,957
Jul-10	33,000	0.45	0.45	0.45	15,171
Aug-10	20,000	0.56	0.55	0.55	11,182
Sep-10	-	-	-	-	-
Oct-10	-	-	-	-	-
Nov-10	-	-	-	-	-
Dec-10	-	-	-	-	-
Total	**240,600**				**112,453**

(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 87 to 89 of the notes to the financial statements and in the Circular to Shareholders, dated 5 May 2011.

(f) Non-Audit Fees

There was 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 was 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 review.

(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.

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2010.

ATTENDANCE AT MEETINGS

The members of the Audit Committee and details of their attendance of the meetings during the financial year ended 31 December 2010 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)	5/5

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. OBJECTIVES

The objectives 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. 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. **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 fulfills the requirements as may be prescribed or approved by the 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 members 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 (c) 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.

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 fees and any questions of resignation or dismissal and the letter of resignation from the external auditor, 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;

3. FUNCTIONS (continued)

(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;

(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 program and results of the internal audit process and where necessary, ensure that appropriate actions 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 resignations 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; and

(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.

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;

4. RIGHTS OF THE AUDIT COMMITTEE (Continued)

(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 Group, 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.

5. MEETINGS

The Audit Committee shall meet at least four (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.

Summary of Activities of the Audit Committee

In accordance with the terms of reference of the Audit Committee, the following activities were undertaken by the Audit Committee during the financial year ended 31 December 2010:

(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 Directors and Management.

5. **MEETINGS (Continued)**

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

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

   (i) Reviewed the internal control statement to be published in the Annual Report.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The activities of the Internal Audit Function during the financial year ended 31 December 2010 were as follows:

(a) Regular review of business processes in accordance with the approved internal audit plan.

(b) Periodically presented the results of the internal audit reviews to the Audit Committee.

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

TRAINING

During the financial year ended 31 December 2010, the Audit Committee members attended the following training:

Name of Director	No.	Programme	Date
Danny Ng Siew L'Leong	1	Recent Trends in Valuation, held by KPMG Malaysia	7th July 2010
	2	Audit Committee Institute Roundtable discussion titled Going Forward: Risk & Reform – Implications for Audit Committee Oversight held by KPMG Malaysia	13th July 2010
Foo Lee Khean	1	Economics and Capital Market II: Macroeconomic Analytics - Clues to the Future held by Securities Industry Development Corporation	13th March 2010
	2	Economics and Capital Market I: Forces Shaping Global Capital Markets held by Securities Industry Development Corporation	2nd October 2010
	3	Goods and Services Tax : Are you Getting Ready for GST in Malaysia held by Tricor Tax Services Sdn Bhd	14th July 2010

However, Ms Pauline Teh @ Pauline Teh Abdullah did not attend any training for the financial year ended 31 December 2010 due to her hectic schedule.

This report is made in accordance with the approval of the Board of Directors dated 13 April 2011.

Statement on Internal Control

INTRODUCTION

The Board of Directors ("the Board") of SMIS Corporation Berhad is pleased to present its Statement on Internal Control for financial year ended 31 December 2010, which has been prepared pursuant to paragraph 15.27(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") MAIN Market Listing Requirements and as guided by the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance"). This statement outlines the nature and state of the internal controls of the Group.

BOARD RESPONSIBILITY

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

Due to 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. Board of Directors appointed the external consultant to evaluate the Group's risk management framework on an annual basis. Key management staff and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters and standards. In the periodic management meetings, key risks and mitigating controls are deliberated to ensure that the current risk management framework and practices are adequate and effective in managing the risks. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

The abovementioned risk management practices of the Group serve 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. The internal auditors' reports were presented directly to the Audit Committee. The scope of review of the outsourced internal audit function is determined and approved by the Audit Committee.

During the financial year ended 31 December 2010, internal audits were 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. The external consultants had followed up previously reported control deficiency to ensure that it has been appropriately addressed by Management. The results of improvement are periodically reported to the Audit Committee. Based on the results of the internal audit reviews, identified weaknesses in internal control have been appropriately addressed and Heads of Department will continue to ensure that appropriate action is taken to enhance and strengthen the internal control environment.

The total professional fee paid for the internal audit function for the year ended 31 December 2010 was RM60,000.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Company's internal control systems are as follows:

- An organisational structure, which clearly defines the lines of responsibility, proper segregation of duties and delegation of authority.

- Rigorous review of key information such as financial performance, key business indicators, management accounts and detailed budgets by the Board and 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.

- Certain of the Group's operations are certified by ISO 9001:2008, 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 9001:2008 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. The Board is also aware that the internal control systems and risk management practices must be evaluated periodically and continuously evolves to ensure its continued effectiveness to meet the dynamic changes in the business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal controls.

This statement was approved by the Board of Directors on 13 April 2011.

Directors' Responsibility Statement

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 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 2010 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 reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENTS

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2010.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as stated in Note 6 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 for the year attributable to:		
Owners of the Company	6,113	1,739
Minority interests	2,359	-
	8,472	1,739

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial 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 financial 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 1.1.2010	Bought	Sold	At 31.12.2010
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 2010 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 240,600 of its issued ordinary shares from the open market at an average price of RM0.46 per share. The total consideration paid was approximately RM112,500 including transaction cost of RM1,100. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2010, the Group held 2,546,100 (2009 - 2,305,500) of the Company's shares. The number of outstanding ordinary shares of RM1.00 each in issue after the set off is 42,253,900 (2009 - 42,494,500).

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 statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

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

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

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 financial statements of 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.

Other statutory information (continued)

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.

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, the financial performance of the Group and of the Company for the financial year ended 31 December 2010 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: 18 April 2011

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 39 to 92 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 2010 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 29 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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: 18 April 2011

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 39 to 92 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 18 April 2011.

………………………………………………….
Ng Wai Kee

Before me:

Independent Auditors' Report

to the members of SMIS Corporation Berhad

Report on the Financial Statements

We have audited the financial statements of SMIS Corporation Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 91.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 2010 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 Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 29 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Chew Beng Hong
Approval Number: 2920/02/12(J)
Chartered Accountant

Date: 18 April 2011
Petaling Jaya.

Statements of Financial Position

as at 31 December 2010

	Note	Group 31.12.2010 RM'000	Group 31.12.2009 RM'000 restated	Group 1.1.2009 RM'000 restated	Company 31.12.2010 RM'000	Company 31.12.2009 RM'000
Assets						
Property, plant and equipment	3	22,124	22,875	25,770	1	2
Investment properties	4	1,308	1,350	1,391	-	-
Goodwill on consolidation	5	710	710	710	-	-
Investment in subsidiaries	6	-	-	-	55,688	53,323
Other investments	7	11,869	11,744	11,823	1,509	-
Deferred tax assets	8	1,776	819	718	-	-
Total non-current assets		37,787	37,498	40,412	57,198	53,325
Trade and other receivables	9	23,296	18,631	19,949	26	-
Prepayments		2,289	369	540	-	-
Inventories	10	12,157	13,408	15,315	-	-
Current tax assets		561	236	53	-	-
Assets classified as held for sale		-	-	1,219	-	-
Cash and cash equivalents		20,609	15,533	5,613	534	2,787
Total current assets		58,912	48,177	42,689	560	2,787
Total assets		96,699	85,675	83,101	57,758	56,112
Equity						
Share capital	11	44,800	44,800	44,800	44,800	44,800
Share premium		4,891	4,891	4,891	4,891	4,891
Reserves	11	24,191	18,022	14,128	2,735	1,100
Total equity attributable to the owners of the Company		73,882	67,713	63,819	52,426	50,791
Minority interests		2,618	259	-	-	-
Total equity		76,500	67,972	63,819	52,426	50,791
Liabilities						
Deferred tax liabilities	8	1,931	869	1,039	-	-
Total non-current liabilities		1,931	869	1,039	-	-
Trade and other payables	12	17,626	16,112	16,488	5,332	5,321
Provision for warranties	13	524	450	589	-	-
Liabilities classified as held for sale		-	-	774	-	-
Current tax liabilities		118	272	392	-	-
Total current liabilities		18,268	16,834	18,243	5,332	5,321
Total liabilities		20,199	17,703	19,282	5,332	5,321
Total equity and liabilities		96,699	85,675	83,101	57,758	56,112

The notes on pages 45 to 92 are an integral part of these financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Continuing operations					
Revenue		97,487	67,803	-	250
Cost of sales		(76,278)	(54,039)	-	-
Gross profit		21,209	13,764	-	250
Other operating income		1,105	256	2,375	-
Distribution expenses		(1,293)	(959)	-	-
Administrative expenses		(8,511)	(7,386)	(636)	(398)
Other operating expenses		(2,621)	(1,867)	-	(10)
Results from operating activities		9,889	3,808	1,739	(158)
Finance income		40	68	-	37
Finance costs	16	(71)	(53)	-	-
Profit/(Loss) before tax		9,858	3,823	1,739	(121)
Income tax expense	17	(1,386)	(593)	-	-
Profit/(Loss) from continuing operations		8,472	3,230	1,739	(121)
Discontinued operation					
Gain from sale of discontinued operation	18	-	1,487	-	-
Profit/(Loss) for the year	14	8,472	4,717	1,739	(121)
Other comprehensive income, net of tax					
Fair value of available-for-sale financial assets	19	99	-	9	-
Total comprehensive income/ (expense) for the year		8,571	4,717	1,748	(121)
Profit attributable to:					
Owners of the Company		6,113	4,605	1,739	(121)
Minority interests		2,359	112	-	-
Profit/(Loss) for the year		8,472	4,717	1,739	(121)
Total comprehensive income attributable to:					
Owners of the Company		6,212	4,605	1,748	(121)
Minority interests		2,359	112	-	-
Total comprehensive income for the year		8,571	4,717	1,748	(121)
Basic earnings per ordinary share (sen):	20				
from continuing operations		14.44	7.32		
from discontinued operation		-	3.49		
		14.44	10.81		

The notes on pages 45 to 92 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2010

Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total Equity RM'000
		Attributable to the owners of the Company								
		Non-distributable					Distributable			
At 1 January 2009		44,800	4,891	(967)	(43)	-	15,138	63,819	-	63,819
Total comprehensive income for the year		-	-	-	-	-	4,605	4,605	112	4,717
Purchase of treasury share at cost		-	-	(56)	-	-	-	(56)	-	(56)
Realisation of reserves on disposal of discontinued operation	18	-	-	-	43	-	(698)	(655)	-	(655)
Increase in equity interest of an existing subsidiary		-	-	-	-	-	-	-	147	147
At 31 December 2009/ 1 January 2010										
- as previously stated		44,800	4,891	(1,023)	-	-	19,045	67,713	259	67,972
- effect of adopting FRS 139	27	-	-	-	-	220	-	220	-	220
At 1 January 2010, restated		44,800	4,891	(1,023)	-	220	19,045	67,933	259	68,192
Total comprehensive income for the year		-	-	-	-	99	6,113	6,212	2,359	8,571
Reclassified to profit or loss account upon derecognition		-	-	-	-	(150)	-	(150)	-	(150)
Purchase of treasury share at cost		-	-	(113)	-	-	-	(113)	-	(113)
At 31 December 2010		44,800	4,891	(1,136)	-	169	25,158	73,882	2,618	76,500
		Note 11		Note 11	Note 11	Note 11				

The notes on pages 45 to 92 are an integral part of these financial statements.

Company	Share capital RM'000	← Non-distributable Share premium RM'000	Treasury shares RM'000	→ Fair value reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2009	44,800	4,891	(967)	-	2,244	50,968
Purchase of treasury share at cost	-	-	(56)	-	-	(56)
Total comprehensive expense for the year	-	-	-	-	(121)	(121)
At 31 December 2009/ 1 January 2010	44,800	4,891	(1,023)	-	2,123	50,791
Purchase of treasury share at cost	-	-	(113)	-	-	(113)
Total comprehensive income for the year	-	-	-	9	1,739	1,748
At 31 December 2010	44,800	4,891	(1,136)	9	3,862	52,426
	Note 11		Note 11	Note 11		

The notes on pages 45 to 92 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000 restated	Company 2010 RM'000	Company 2009 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax from					
- Continuing operations		9,858	3,823	1,739	(121)
- Discontinued operation	18	-	1,487	-	-
		9,858	5,310	1,739	(121)
Adjustments for:					
Impairment loss on trade receivables		215	120	-	-
Allowance for slow moving inventories		262	-	-	-
Impairment loss on trade receivables written off		17	15	-	-
Inventories written off		550	-	-	-
Depreciation of investment properties		42	41	-	-
Depreciation of plant and equipment	3	3,726	3,617	1	-
Gain on disposal of plant and equipment		(109)	(25)	-	-
Gain on disposal of other investments		(389)	-	(10)	-
Finance income		(40)	(68)	-	(37)
Interest paid	16	32	17	-	-
Plant and equipment written off		-	247	-	-
Reversal of impairment loss on trade receivables		(103)	(5)	-	-
Reversal of impairment loss on investment in subsidiaries	6	-	-	(2,365)	-
Unrealised foreign exchange gain		(23)	(8)	-	-
Unrealised foreign exchange loss		79	-	-	-
Operating profit/(loss) before changes in working capital		14,117	9,261	(635)	(158)
Change in inventories		439	1,907	-	-
Change in trade and other payables		1,204	(1,985)	11	(210)
Change in trade and other receivables		(6,712)	1,358	(26)	-
Cash generated from/(used in) operations		9,048	10,541	(650)	(368)
Interest paid		(32)	(17)	-	-
Income tax paid		(1,760)	(1,168)	-	-
Net cash from/(used in) operating activities		7,256	9,356	(650)	(368)

	Note	Group 2010 RM'000	Group 2009 RM'000 restated	Company 2010 RM'000	Company 2009 RM'000
Cash flows from investing activities					
Acquisition of other investments		-	(2,700)	-	-
Acquisition of plant and equipment	(i)	(2,682)	(849)	-	-
Acquisition of other investments		(26,000)	-	(3,500)	-
Interest received		40	68	-	37
Investment in an existing subsidiary		-	-	-	(221)
Proceeds from disposal of other investments		26,433	2,779	2,010	2,779
Proceeds from disposal of discontinued operation		-	379	-	379
Proceeds from disposal of plant and equipment		142	26	-	-
Net cash (used in)/from investing activities		(2,067)	(297)	(1,490)	2,974
Cash flows from financing activity					
Purchase of treasury shares at cost		(113)	(56)	(113)	(56)
Net cash used in financing activity		(113)	(56)	(113)	(56)
Net increase/(decrease) in cash and cash equivalents		5,076	9,003	(2,253)	2,550
Cash and cash equivalents at 1 January		15,533	6,530	2,787	237
Cash and cash equivalents at 31 December		20,609	15,533	534	2,787

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of RM3,009,000 (2009: RM969,000) of which RM327,000 (2009: RM120,000) was accrued for.

The notes on pages 45 to 92 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 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2010 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 6 to the financial statements.

These financial statements were approved by the Board of Directors on 18 April 2011.

1. Basis of preparation

(a) Statement of compliance

These financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

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 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 periods 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*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010 (continued)

- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions 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*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

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

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures (revised)*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

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

- 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 132, *Financial Instruments: Presentation – Classification of Right Issues*
  - 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 16, *Hedges of a Net Investment in a Foreign Operation*
  - IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
  - Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*
  - Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
  - IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
  - IC Interpretation 18, *Transfers of Assets from Customers*

  which are not applicable to the Company; and

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

(a) **Statement of compliance (continued)**

The Company plans to apply the abovementioned standards, amendments and interpretations: (continued)

- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 or 1 January 2012, except for:
  - IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
  - Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*
  - IC Interpretation 15, *Agreements for the Construction of Real Estate*

  which are not applicable to the Company.

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

The expected changes in accounting policies are as follows:

FRS 3 (revised), *Business Combinations*

FRS 3 (revised) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

FRS 3 (revised), which becomes mandatory for the Group's 2011 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

FRS 127 (2010), *Consolidated and Separate Financial Statements*

- The amendments to FRS 127 require changes in group composition to be accounted for as equity transactions between the group and its minority (will be known as non-controlling) interest holders.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRS 127 (2010), *Consolidated and Separate Financial Statements (continued)*

- The amendments to FRS 127 require all losses attributable to minority interest to be absorbed by minority interest i.e., the excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest. Currently, such losses are accounted for in accordance with the accounting policies as described in note 2(a)(ii).

The above changes in accounting policies are not expected to have material impacts on the Group.

Following the announcement by the MASB on 1 August 2008, the Group's financial statements will be prepared in accordance with the International Financial Reporting Standards ("IFRS") framework for annual periods beginning on 1 January 2012.

(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.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs 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 those disclosed in the following notes:
- Note 4 - valuation of investment properties
- Note 8 - recognition of capital allowances carry-forwards
- Note 13 - provision for warranties

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, other than those disclosed in the following notes:

- Note 2 (c) - Financial instruments
- Note 2 (e) - Leased assets
- Note 2 (i) - Receivables
- Note 2 (s) - Operating segments

(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 statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale.

(ii) Minority interest

Minority interest at the end of the reporting period, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between minority interests and the owners 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

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

The assets and liabilities of operations denominated in functional currencies other than RM are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 27.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and measurement

A financial asset or financial liability is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale category comprises investment in equity instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair value with the gain or loss recognised in other comprehensive income, except for impairment losses which is recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss.

All financial assets are subject to review for impairment (see Note 2(k)(i)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest method.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in transferred profit or loss.

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Capital work-in-progress is not depreciated until the assets are ready for their intended use.

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

• Long term leasehold land	55 - 91 years
• 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

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

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

(e) **Leased assets**

(i) **Finance lease**

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

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

(ii) **Operating lease**

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

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

The Group has adopted the amendment made to FRS 117, *Leases* in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

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

2. Significant accounting policies (continued)

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations 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 profit or loss.

(ii) Amortisation

Goodwill with indefinite useful lives is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(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. Properties that are occupied by the Company 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(d).

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

(ii) Determination of fair value

The fair value on the investment properties are determined based on Directors' informal enquires made with registered valuers.

2. Significant accounting policies (continued)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value with first-in first-out being the main basis for cost. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. In the case of trading goods, cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c).

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 2(c).

(k) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

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

(k) **Impairment (continued)**

(i) **Financial assets (continued)**

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

(ii) **Non-financial assets**

The carrying amounts of non-financial assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets 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.

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.

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

2. Significant accounting policies (continued)

(l) Equity instrument

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

Repurchase of share capital

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

(m) 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.

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(o) Revenue and other income

(i) Goods sold

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

2. Significant accounting policies (continued)

(o) Revenue and other income (continued)

(ii) Rental income

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

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

(iv) Interest income

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

(p) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

2. Significant accounting policies (continued)

(q) 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 statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

(r) Earning per ordinary share

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

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.

(s) Operating segments

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

Following the adoption of FRS 8, *Operating Segments*, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. Property, plant and equipment

Group Cost	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 2009, restated	4,138	12,996	31,306	7,633	2,319	3,462	984	62,838
Additions	-	-	652	199	-	118	-	969
Disposals/write off	-	-	(800)	(13)	(135)	-	-	(948)
Transfer	-	-	664	-	-	320	(984)	-
At 31 December 2009/1 January 2010, restated	4,138	12,996	31,822	7,819	2,184	3,900	-	62,859
Additions	-	-	1,398	547	443	621	-	3,009
Disposals/write off	-	-	(24)	-	(428)	(33)	-	(485)
At 31 December 2010	4,138	12,996	33,196	8,366	2,199	4,488	-	65,383
Depreciation and impairment loss								
At 1 January 2009, restated:								
Accumulated depreciation	573	3,492	20,755	5,009	1,882	2,881	-	34,592
Accumulated impairment loss	-	-	2,244	208	-	24	-	2,476
	573	3,492	22,999	5,217	1,882	2,905	-	37,068
Depreciation for the year	36	298	2,072	608	197	406	-	3,617
Disposals/write off	-	-	(556)	(10)	(135)	-	-	(701)
At 31 December 2009/ 1 January 2010, restated:								
Accumulated depreciation	609	3,790	22,271	5,607	1,944	3,287	-	37,508
Accumulated impairment loss	-	-	2,244	208	-	24	-	2,476
	609	3,790	24,515	5,815	1,944	3,311	-	39,984
Depreciation for the year	36	298	2,097	568	225	502	-	3,726
Disposals/write off	-	-	(4)	-	(428)	(19)	-	(451)
At 31 December 2010:								
Accumulated depreciation	645	4,088	24,364	6,175	1,741	3,770	-	40,783
Accumulated impairment loss	-	-	2,244	208	-	24	-	2,476
	645	4,088	26,608	6,383	1,741	3,794	-	43,259
Carrying amounts								
At 1 January 2009, restated	3,565	9,504	8,307	2,416	437	557	984	25,770
At 31 December 2009/1 January 2010, restated	3,529	9,206	7,307	2,004	240	589	-	22,875
At 31 December 2010	3,493	8,908	6,588	1,983	458	694	-	22,124

3. Property, plant and equipment (continued)

Company Cost	Office equipment RM'000
At 1 January 2009/31 December 2010	9
Accumulated depreciation	
At 1 January 2009	7
Depreciation for the year	-
At 31 December 2009/1 January 2010	7
Depreciation for the year	1
At 31 December 2010	8
Carrying amounts	
At 1 January 2009	2
At 31 December 2009/1 January 2010	2
At 31 December 2010	1

3.1 Security

Certain freehold land and buildings of the Group costing RM7,088,000 (2009: RM7,088,000) have been assigned/pledged to financial institutions as security for borrowings/banking facilities granted to the subsidiaries. As at 31 December 2010, the Group has no exposure on the banking facilities assigned.

At 31 December 2010, a long term leasehold land of the Group costing RM1,123,000 (2009: RM1,123,000) has been assigned to a licensed bank for banking facilities granted to the subsidiaries. As at 31 December 2010, the Group has no exposure on the banking facilities assigned.

3.2 Land

Included in the carrying amounts of land are:

	Group 2010 RM'000	Group 2009 RM'000 restated
Freehold land	1,555	1,555
Long term leasehold land	1,938	1,974
	3,493	3,529

3. Property, plant and equipment (continued)

3.2 Land (continued)

The carrying amounts of land at 1 January 2009 and 31 December 2009 have been adjusted following the adoption of the amendments to FRS 117, *Leases*, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

4. Investment properties

Group	Buildings 2010 RM'000	2009 RM'000
Cost		
At 1 January/31 December	2,544	2,544
Depreciation and impairment loss		
At 1 January		
Accumulated depreciation	815	774
Accumulated impairment loss	379	379
	1,194	1,153
Depreciation for the year	42	41
At 31 December		
Accumulated depreciation	857	815
Accumulated impairment loss	379	379
	1,236	1,194
Carrying amounts		
At 31 December	1,308	1,350
Fair values		
At 31 December	5,680	5,680

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

The fair value on the investment properties are determined based on Directors' informal enquires made with registered valuers.

4. Investment properties (continued)

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

	Group	
	2010 RM'000	2009 RM'000
Rental income	233	164
Direct operating expenses:		
- income generating investment properties	(78)	(60)
- non-income generating investment properties	-	(12)

5. Goodwill on consolidation

Cost	2010 RM'000	2009 RM'000
At 1 January	710	1,499
Derecognised on disposal of a subsidiary	-	(789)
At 31 December	710	710
Impairment loss		
At 1 January	-	789
Derecognised on disposal of a subsidiary	-	(789)
At 31 December	-	-
Carrying amounts		
At 31 December	710	710

Impairment testing for cash-generating units containing goodwill

Goodwill arose from the acquisition of the machinery parts division. The goodwill impairment test was based on value in use and was determined by the management. Value in use was determined by assessing the machinery parts division's projected results and cash flows.

The values assigned to the key assumptions used in preparing the projections represent management's assessment of future trends in the machinery parts division and are based on internal sources (historical data).

6. Investment in subsidiaries

	Company 2010 RM'000	Company 2009 RM'000
At cost:		
Unquoted shares	59,664	59,443
Increase in investment in subsidiary	- *	221
Less: Accumulated impairment loss	(3,976)	(6,341)
At 31 December	55,688	53,323

* During the year, the Company has purchased 2 ordinary shares of SGD1.00 each for a cash consideration of RM5, which represents the entire equity interest in the share capital of Exsilio Pte. Ltd.

Detail of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2010 %	Effective ownership interest 2009 %
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
Cleon Technology Sdn. Bhd.	Malaysia	Manufacturing and trading of rechargeable lithium polymer batteries of all descriptions. The Company ceased its business operation since January 2007.	66.25	66.25
Exsilio Pte. Ltd.#	Singapore	Dormant	100	-

Company which is not required by legislation to be audited in the country of incorporation. Management financial statements have been used for consolidation purpose and the Directors are of the opinion that its results are immaterial to the Group.

7. Other investments

	Investment in unit trust (Quoted securities in Malaysia)
Group	**RM'000**
2010	
Non-current	
Available-for-sale financial assets	11,869
Fair value of quoted investments	11,869
2009	
Non-current	
At cost	11,744
Fair value of quoted investments	11,847
Company	
2010	
Non-current	
Available-for-sale financial assets	1,509
Fair value of quoted investments	1,509
2009	
Non-current	
At cost	-
Fair value of quoted investments	-

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in FRS 7.44AA.

8. Deferred tax assets/liabilities

Recognised deferred tax assets/liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Property, plant and equipment	-	(698)	(1,931)	(869)	(1,931)	(1,567)
Provisions	1,071	812	-	-	1,071	812
Capital allowance carry-forwards	705	705	-	-	705	705
Net tax assets/(liabilities)	1,776	819	(1,931)	(869)	(155)	(50)

Movement in temporary differences during the year

	At 1.1.2009 RM'000	Recognised in profit or loss (Note 17) RM'000	At 31.12.2009 RM'000	Recognised in profit or loss (Note 17) RM'000	At 31.12.2010 RM'000
Property, plant and equipment	(1,818)	251	(1,567)	(364)	(1,931)
Provisions	802	10	812	259	1,071
Capital allowance carry-forwards	695	10	705	-	705
	(321)	271	(50)	(105)	(155)

Unrecognised deferred tax assets

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

	Group	
	2010 RM'000	2009 RM'000
Deductible temporary differences	1,170	(465)
Tax loss carry-forwards	455	3,812
Reinvestment allowance	-	1,835
Capital allowance carry-forwards	1,254	2,973
	2,879	8,155

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.

9. Trade and other receivables

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current					
Trade					
Trade receivables	a	20,911	16,477	-	-
Non-trade					
Other receivables		2,136	1,977	26	-
Deposits		249	177	-	-
		2,385	2,154	26	-
		23,296	18,631	26	-

Note a

Credit terms of trade receivables range from 60 -180 days (2009: 60 - 180 days).

10. Inventories

	Group 2010 RM'000	Group 2009 RM'000
At cost		
Raw materials	5,008	4,842
Work-in-progress	617	452
Manufactured goods	1,111	857
Trading goods	5,421	6,710
	12,157	12,861
At net realisable value		
Trading goods	-	547
	12,157	13,408

11. Capital and reserves

Share capital	Group and Company			
	Amount 2010 RM'000	Number of shares 2010 '000	Amount 2009 RM'000	Number of shares 2009 '000
Authorised:				
Ordinary shares of RM1.00 each	60,000	60,000	60,000	60,000
Issued and fully paid:				
Ordinary shares of RM1.00 each	44,800	44,800	44,800	44,800

Ordinary shares

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

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

Fair value reserve

The fair value reserve relates to the fair valuation of financial assets categorised as available-for-sale.

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in the annual general meeting held on 27 May 2010, 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 240,600 of its issued ordinary shares from the open market at an average price of RM0.46 per share. The total consideration paid was approximately RM112,500 including transaction cost of RM1,100. The repurchase transactions were financed by internally generated funds. The shares repurchased were retained as treasury shares.

At 31 December 2010, the Group held 2,546,100 (2009: 2,305,500) of the Company's shares. The number of outstanding ordinary shares of RM1.00 each in issue after the set-off is 42,253,900 (2009: 42,494,500).

11. Capital and reserves (continued)

Details of the shares buy-back were as follows:

2010	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	0.451	0.465	0.424	66,000	29,804
April - June	0.456	0.499	0.440	121,600	56,296
July – September	0.478	0.555	0.450	53,000	26,353
October – December	-	-	-	-	-
2009					
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	2,245
October - December	0.440	0.465	0.425	51,200	22,531

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 2010 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.

12. Trade and other payables

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Trade					
Trade payables	a	9,251	8,322	-	-
Non-trade					
Other payables and accruals	b	8,375	7,790	212	201
Amounts due to subsidiaries	c	-	-	5,120	5,120
		8,375	7,790	5,332	5,321
		17,626	16,112	5,332	5,321

12. Trade and other payables (continued)

Note a

Credit terms of trade payables range from 30 to 120 days (2009: 30 to 120 days).

Note b

(i) Included in other payables and accruals of the Group is an amount of RM436,000 (2009: RM232,000) accrued for the acquisition of plant and machineries.

(ii) Included in other payables and accruals of the Group is an amount of RM36,000 (2009: 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.

13. Provision for warranties

Group	2010 RM'000	2009 RM'000
Current		
At 1 January 2010	450	589
Provisions made during the year	141	89
Provisions used during the year	(67)	(228)
At 31 December 2010	524	450

Warranties

The provision for warranties relates mainly to automotive brake system sold. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur most of the liability over the next year.

14. Profit/(Loss) for the year

	Note	Group 2010 RM'000	Group 2009 RM'000 restated	Company 2010 RM'000	Company 2009 RM'000
Profit/(Loss) for the year is arrived at after charging:					
Allowance for slow moving inventories		262	-	-	-
Auditors' remuneration:					
- KPMG					
- Statutory audit		113	101	34	30
- Other services		20	10	20	10
Depreciation of investment properties	4	42	41	-	-
Depreciation of property, plant and equipment	3	3,726	3,617	-	-
Impairment loss on trade receivables		215	120	-	-
Impairment loss on trade receivables written off		17	15	-	-
Inventories written off		550	180	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		1,023	848	-	-
- Wages, salaries and others		14,452	11,276	18	16
Plant and equipment written off		-	247	-	-
Realised foreign exchange loss		23	29	-	10
Rental expenses for warehouse and staff housing facilities		310	49	-	-
Unrealised foreign exchange loss		79	-	-	-
and after crediting:					
Finance income		40	68	-	37
Gain on disposal of discontinued operation		-	1,487	-	-
Gain on disposal of other investments		389	-	10	-
Gain on disposal of plant and equipment		109	25	-	-
Government grant from SMIDEC		216	19	-	-
Realised foreign exchange gain		5	-	-	-
Rental income from investment properties		233	164	-	-
Reversal of impairment loss on investment in a subsidiary		-	-	2,365	-
Reversal of impairment loss on trade receivables		103	5	-	-
Unrealised foreign exchange gain		23	8	-	-

15. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Company's Directors				
- Fees	144	136	150	136
- Remuneration	971	888	18	16
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	25	25	-	-
Other Directors				
- Remuneration	463	401	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	8	8	-	-
Other key management personnel:				
- Remuneration	741	675	-	-
	2,352	2,133	168	152

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers and contributes to statutory pension funds.

The estimated monetary value of Directors' benefits-in-kind is RM33,000 (2009: RM33,000).

16. Finance costs

	Group	
	2010 RM'000	2009 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- Bank overdrafts	2	-
- Bank guarantees	11	3
- Letter of credit	19	14
	32	17
Other bank charges	39	36
	71	53

17. Income tax expense

Recognised in profit or loss

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Income tax expense on continuing operations		1,386	593	-	-
Major components of income tax expense include:					
Current tax expense					
Malaysia - current year		1,455	840	-	-
- prior years		(174)	24	-	-
Total current tax recognised in profit or loss		1,281	864	-	-
Deferred tax expense					
Origination and reversal of temporary differences		106	(173)	-	-
Over provision in prior years		(1)	(98)	-	-
Total deferred tax recognised in profit or loss	8	105	(271)	-	-
Total income tax expense		1,386	593	-	-
Reconciliation of effective tax expense					
Profit/(Loss) for the year		8,472	3,230	1,739	(121)
Total income tax expense		1,386	593	-	-
Profit excluding tax		9,858	3,823	1,739	(121)
Tax calculated using Malaysian tax rates of 25 percent		2,464	956	435	(30)
Non-deductible expenses		416	200	-	30
Non-taxable income		-	-	(435)	-
Tax exempt income		-	62	-	-
Utilisation of previously unrecognised deferred tax assets		(1,319)	(551)	-	-
Over provided in prior years		(175)	(74)	-	-
		1,386	593	-	-

18. 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:

	Group 2009 RM'000
Results of discontinued operation	
Gain from sale from discontinued operation	1,487
Effect of disposal on the financial position of the Group	
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

19. Other comprehensive income

	Group 2010 Net of tax	Company 2010 Net of tax
Fair value of available-for-sale financial assets		
- Gains arising during the year	99	9

20. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2010 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

Group 2010	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
Profit attributable to ordinary shareholders	6,113	-	6,113
2009			
Profit attributable to ordinary shareholders	3,118	1,487	4,605

Weighted average number of ordinary shares:

	Group 2010 '000	 2009 '000
Issued ordinary shares at 1 January	44,800	44,800
Effect of treasury shares held	(2,461)	(2,233)
Weighted average number of ordinary shares at 31 December	42,339	42,567

Basic earnings per ordinary share:

	Group 2010 sen	 2009 sen
- from continuing operations	14.44	7.32
- from discontinued operation	-	3.49
	14.44	10.81

21. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Automotive parts	Manufacturing and trading of carpet of all descriptions and manufacturing of automotive braking components and motorcycle components.
Machinery parts	Trading of machinery and industrial parts supplies.
Others	Investment holding and manufacturing and trading of rechargeable lithium polymer batteries of all descriptions.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

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

Geographical segments

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

21. Operating segments (continued)

	Automotive parts 2010 RM'000	Machinery parts 2010 RM'000	Others 2010 RM'000	Elimination 2010 RM'000	Total 2010 RM'000
Segment profit	9,700	785	1,722	(2,318)	9,889
Included in the measure of segment profit are:					
Revenue from external customers	82,360	15,164	-	(37)	97,487
Inter-segment revenue	37	-	-	(37)	-
Inventories written off	(550)	-	-	-	(550)
Depreciation of property, plant and equipment	(3,411)	(314)	(1)	-	(3,726)
Reversal of impairment loss on investment in a subsidiary	-	-	2,281	(2,281)	-
Not included in the measure of segment profit but provided to Chief Executive Officer:					
Finance costs	(62)	(9)	-	-	(71)
Finance income	4	26	10	-	40
Income tax expense	(1,041)	(345)	-	-	(1,386)
Segment assets	73,502	29,124	57,779	(63,706)	96,699
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	2,621	388	-	-	3,009

21. Operating segments (continued)

	Automotive parts 2009 RM'000	Machinery parts 2009 RM'000	Others 2009 RM'000	Elimination 2009 RM'000	Total 2009 RM'000
Segment profit/(loss)	3,969	256	(167)	(250)	3,808
Included in the measure of segment profit/(loss) are:					
Revenue from external customers	54,930	12,882	-	(9)	67,803
Inter-segment revenue	-	9	250	(259)	-
Inventories written off	(180)	-	-	-	(180)
Plant and equipment written off	(247)	-	-	-	(247)
Depreciation of property, plant and equipment	(3,305)	(312)	-	-	(3,617)
Not included in the measure of segment profit but provided to Chief Executive Officer:					
Finance costs	(155)	(8)	-	110	(53)
Finance income	122	19	37	(110)	68
Income tax expense	(447)	(146)	-	-	(593)
Segment assets	64,559	27,854	56,169	(62,907)	85,675
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	940	29	-	-	969

21. Operating segments (continued)

Reconciliations of reportable segment revenues and profit or loss

	2010 RM'000	2009 RM'000
Profit or loss		
Total profit or loss for reportable segments	9,889	3,808
Finance costs	(71)	(53)
Finance income	40	68
Consolidated profit before tax and discontinued operations	9,858	3,823
Income tax expense	(1,386)	(593)
Consolidated profit from continuing operations	8,472	3,230
Gain on sale of discontinued operation	-	1,487
	8,472	4,717

Major customers

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

	Revenue 2010 RM'000	Revenue 2009 RM'000	Segment
Customer A	19,515	7,084	Automotive parts
Customer B	11,630	6,797	Automotive parts
Customer C	10,792	8,954	Automotive parts
Customer D	10,080	7,196	Automotive parts

22. Financial instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:
(a) Loans and receivables (L&R);
(b) Available-for-sale financial assets (AFS); and
(c) Other liabilities (OL)

22. Financial instruments (continued)

22.1 Categories of financial instruments (continued)

2010	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000
Financial assets			
Group			
Other investments	11,869	-	11,869
Trade and other receivables	23,296	23,296	-
Cash and cash equivalents	20,609	20,609	-
	55,774	43,905	11,869
Company			
Other investments	1,509	-	1,509
Trade and other receivables	26	26	-
	1,535	26	1,509
Financial liabilities			
Group			
Trade and other payables	17,626	17,626	-
Company			
Trade and other payables	5,332	5,332	-

22.2 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

22.3 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Formal credit evaluations are performed on new customers while periodic informal credit evaluations are performed for monitoring purposes.

22. Financial instruments (continued)

22.3 Credit risk (continued)

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

Impairment losses

The ageing of receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2010			
Not past due	16,429	-	16,429
Past due 0-30 days	3,206	83	3,123
Past due 31-120 days	1,299	9	1,290
Past due more than 120 days	307	238	69
	21,241	330	20,911
2009			
Not past due	12,895	-	12,895
Past due 0-30 days	2,289	11	2,278
Past due 31-120 days	1,150	59	1,091
Past due more than 120 days	378	165	213
	16,712	235	16,477

22. Financial instruments (continued)

22.3 Credit risk (continued)

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

	2010 RM'000
At 1 January	235
Impairment loss recognised	215
Impairment loss reversed	(103)
Impairment loss written off	(17)
At 31 December	330

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Other investments

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with reputable financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in unit trust (Note 7) with reputable financial institutions. The maximum exposure to credit risk is represented by the carrying amounts as disclosed in Note 22.6.

These investments are unsecured.

Impairment losses

As at the end of the reporting period, there was no indication that the investments are not recoverable.

22. Financial instruments (continued)

22.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual cash flows RM'000	Under 1 year RM'000
Group			
Trade payables	9,251	9,251	9,251
Non-trade payables	8,375	8,375	8,375
Company			
Non-trade payables	5,332	5,332	5,332

22.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

22.5.1 Currency risk

The Group's exposure to foreign currency risk is on purchases that are denominated in currencies other than the functional currencies of the Group entities. The currencies giving rise to this risk are primarily US Dollar (USD), Japanese Yen (JPY), Euro Dollar (EURO), Singapore Dollar (SGD), Thailand Baht (THB) and Australian Dollar (AUD).

Risk management objectives, policies and processes for managing the risk

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

22. Financial instruments (continued)

22.5 Market risk (continued)

22.5.1 Currency risk (continued)

Exposure to foreign currency risk

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

	Denominated in					
Group	**USD RM'000**	**JPY RM'000**	**EUR RM'000**	**SGD RM'000**	**THB RM'000**	**AUD RM'000**
2010						
Other receivables	309	317	-	-	-	-
Trade payables	(1,187)	(93)	(272)	-	-	(21)
Other payables	-	-	-	(30)	(28)	-
Exposure in the statement of financial position	(878)	224	(272)	(30)	(28)	(21)
2009						
Other receivables	52	-	-	-	-	-
Trade payables	(1,035)	(172)	(579)	-	-	(48)
Other payables	-	(38)	-	-	(27)	-
Exposure in the statement of financial position	(983)	(210)	(579)	-	(27)	(48)

Currency risk sensitivity analysis

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

2010	**Equity RM'000**	**Profit or loss RM'000**
USD	66	66
JPY	(17)	(17)
EUR	20	20

22. Financial instruments (continued)

22.5 Market risk (continued)

22.5.1 Currency risk (continued)

A 10% weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

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

22.5.2 Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

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

22.6 Fair value of financial instruments

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

The fair values of other financial assets, together with the carrying amounts shown in the statement of financial position, are as follows:

	2010		2009	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Investments in unit trust, quoted	11,869	11,869	11,744	11,847
Company				
Investments in unit trust, quoted	1,509	1,509	-	-

Investment in equity securities

The fair values of the financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

23. Capital management

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

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

24. Operating leases

Leases as lessor

The Group leases out its investment properties under operating leases (see Note 4). The future minimum lease payments under non-cancellable leases are as follows:

	2010 RM'000	2009 RM'000
Less than one year	164	136
Between one and five years	117	144
More than five years	-	-

25. Related parties

Identity of related parties

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

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

25. Related parties (continued)

Group 2010	Amount transacted for the year ended 31 December RM'000	Gross balance outstanding at 31 December RM'000	Allowance for impairment loss at 31 December RM'000	Net balance outstanding at 31 December RM'000
San Yes Automotive Technology Co. Ltd. ("San Yes")				
Royalties	4	-	-	-
Purchase of raw materials	304	-	-	-
Purchase of consumables	56	-	-	-
Sugihara Co. Ltd. ("SUGI-Japan")				
Technical assistance fees	40	(320)	-	(320)
Royalties	461	(2,398)	-	(2,398)
Other expenses	121	-	-	-
2009				
San Yes Automotive Technology Co. Ltd. ("San Yes")				
Royalties	3	-	-	-
Purchase of raw materials	145	-	-	-
Purchase of consumables	17	-	-	-
Sugihara Co. Ltd. ("SUGI-Japan")				
Technical assistance fees	40	(296)	-	(296)
Royalties	390	(2,886)	-	(2,886)
Other expenses	56	-	-	-
Company **2010**				
Machinery and Industrial Supplies Sdn. Bhd.				
Advances	-	(5,120)	-	(5,120)
2009				
Machinery and Industrial Supplies Sdn. Bhd.				
Advances	-	(5,120)	-	(5,120)

25. Related parties (continued)

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.

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.

26. Capital commitments

	Group	
	2010 RM'000	2009 RM'000
Plant and equipment		
Contracted but not provided for and payable:		
Less than one year	748	80

27. Significant changes in accounting policies

	Fair value reserve	
	2010 RM'000	2009 RM'000
Group		
At 1 January, as previously stated	-	-
Adjustments arising from adoption of FRS 139:		
- Fair valuation of quoted securities classified as available-for-sale	220	-
At 1 January, as restated	220	-

27.1 FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

27. Significant changes in accounting policies (continued)

27.1 FRS 139, *Financial Instruments: Recognition and Measurement* (continued)

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance to the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of retained earnings or another appropriate reserve. Comparatives are not adjusted.

Consequently, the adoption of FRS 139 does not affect the basic earnings per ordinary share for prior periods. It is not practicable to estimate the impact arising from the adoption of FRS 139 to the current year's basic earnings per share.

Investments in equity securities

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries were measured at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries are now categorised and measured as available-for-sale as detailed in Note 2(c).

27.2 FRS 8, *Operating Segments*

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114_{2004}, Segment Reporting.

Comparative segment information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

27.3 FRS 101(revised), *Presentation of Financial Statements*

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

27. Significant changes in accounting policies (continued)

27.4 FRS 117, *Leases*

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance is finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

28. Comparative figures

28.1 FRS 101(revised), *Presentation of Financial Statements*

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

28.2 FRS 117, *Leases*

Following the amendment to FRS 117, certain comparatives have been re-presented as follows:

	Group			
	31.12.2009		1.1.2009	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Cost				
Property, plant and equipment	62,859	60,276	62,838	60,255
Prepaid lease payments	-	2,583	-	2,583
Accumulated depreciation/ amortisation				
Property, plant and equipment	39,984	39,375	37,068	36,495
Prepaid lease payments	-	609	-	573
Carrying amount				
Property, plant and equipment	22,875	20,901	25,770	23,760
Prepaid lease payments	-	1,974	-	2,010
Depreciation of property, plant and equipment	3,617	3,581	-	-

29. Supplementary information on the breakdown of realised and unrealised profits or losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation. The breakdown of retained earnings of the Group and of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group 2010 RM'000	Company 2010 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	59,325	3,862
- Unrealised	(735)	-
	58,590	3,862
Less: Consolidation adjustments	(33,432)	-
Total retained earnings	25,158	3,862

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM 60,000,000
Issued and Paid-up Share Capital	:	RM 44,800,000
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per share

(Against Total Issued Capital of 42,248,900)

Size of Holdings	No of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities	% of Issued Capital *
1 - 99	9	0.71	289	0.0007
100 - 1,000	314	24.80	297,075	0.7032
1,001 - 10,000	695	54.90	3,320,700	7.8598
10,001 - 100,000	217	17.14	6,754,500	15.9874
100,001 - 2,112,444	28	2.21	10,537,000	24.9403
2,112,445 and above	3	0.24	21,339,336	50.5086
Total	1,266	100.00	42,248,900	100.0000

Total No. of Shareholders / Depositors	:	1,266
Total Shareholdings / Securities	:	42,248,900
Total Percentage (%)	:	100.0000

* Excludes 2,551,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 7 April 2011.

LIST OF TOP 30 SHAREHOLDERS / DEPOSITORS

No	Name	Normal Holdings	Holding Percentage %*
1	MIYES HOLDINGS SDN BHD	15,680,000	37.11
2	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BSI SA (BSI BK SG-NR)	3,520,000	8.33
3	MOHD RIANI BIN OSMAN	2,139,336	5.06
4	CHANG KUN-SHENG	1,948,700	4.61
5	YAP SIEW FOONG	1,263,730	2.99
6	NG ENG BEE	806,838	1.90
7	TEH HEAN IT	767,100	1.81
8	NG WAI KEE	640,900	1.51
9	NG ENG BEE	560,000	1.32
10	YEOH KEAN HUA	430,000	1.01
11	ENG KIM LIAN	380,964	0.90
12	CHONG TECK HOO @ CHAM TECK HOO	362,089	0.85
13	CHAM BEE SENG @ CHIAM BEE SENG	350,089	0.82
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON (E-BMM)	336,200	0.79
15	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR MOHD RIANI BIN OSMAN (SMART)	250,000	0.59
16	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE HA SING	225,000	0.53
17	TAN KAI SENG @ TANG KIA SENG	217,000	0.51
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEE HIAN BOON @ CHEE AH DECK(KUCHING)	189,000	0.44
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHAI GUAN (474333)	170,000	0.40
20	CHAN SENG CHEONG	157,500	0.37
21	FOO TECK SENG	150,000	0.35
22	HDM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY TENG HUP (M01)	150,000	0.35
23	CHAM BEE SIM	149,572	0.35
24	NG KWEE ENG	142,018	0.33
25	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY YAN WAH (M)	140,000	0.33
26	CHEAK YEW KUN	136,100	0.32
27	TEO TIN LUN	132,000	0.31
28	LIU SIN	130,000	0.30
29	LEE ANG EE	129,000	0.30
30	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON	118,200	0.27
	TOTAL	31,771,336	75.06

* Excludes 2,551,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 7 April 2011.

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 7 APRIL 2011

	Direct Interest		Indirect Interest	
Name of Substantial Shareholder	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
MIYES Holdings Sdn Bhd ("MIYES")	15,680,000	37.11	-	-
Umberston Holdings Sdn Bhd ("Umberston")	-	-	15,680,000[1]	37.11
San Yes Automotive Technology Co., Ltd	-	-	15,680,000[1]	37.11
Ng Kwee Eng	142,018	0.34	15,680,000[2]	37.11
Yap Siew Foong	1,263,730	2.99	15,680,000[2]	37.11
Mohd Riani bin Osman	2,389,336	5.66	-	-

* Excludes 2,551,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 7 April 2011.

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

DIRECTORS' SHAREHOLDING AS PER REGISTER OF DIRECTORS' SHAREHOLDING AS AT 7 APRIL 2011

	Direct Interest		Indirect Interest	
Name of Director	No. of Shares	% of Issued Capital*	No. of Shares	% of Issued Capital*
Mohd Riani bin Osman	2,389,336	5.66	-	-
Yap Siew Foong	1,263,730	2.99	15,680,000[1]	37.11
Ng Wai Kee	700,900	1.66	15,680,000[1]	37.11
Cham Bee Sim	249,572	0.59	15,680,000[1]	37.11
Danny Ng Siew L'Leong	-	-	-	-
Pauline Teh @ Pauline Teh Abdullah	-	-	-	-
Mohamed Ghazali bin Kamal Baharein	-	-	-	-
Foo Lee Khean	-	-	-	-

* Excludes 2,551,100 Ordinary Shares of RM1.00 each bought back by the Company and held as treasury shares as at 7 April 2011.

(1) deemed interested through Umberston and MIYES

Particulars of Properties

Registered Beneficial Owner	Location	Date of Valuation	Description and Existing Use	Tenure	Approximate Age of Property (Year)	Built Up area (Sq.m)	Net book Value as at 31 December 2010 (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	14	3,866.5	2,613,363
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	19	10,310.26	6109,615
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	12	2,140.37	3,545,741
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	31	1,197.1	291,051
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	14	586.60	440,300
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	10	429.21	324,000
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	8	53.70	252,771

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twelfth 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 Friday, 27 May 2011 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 2010 together with the Directors' and Auditors' Reports thereon. ***Ordinary Resolution 1***

2. To approve the increase of Directors' Fees from RM136,000 for the financial year ended 31 December 2009 to RM144,000 for the financial year ended 31 December 2010. ***Ordinary Resolution 2***

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

   i) Encik Mohd Riani Bin Osman ***Ordinary Resolution 3***
   ii) Ms Pauline Teh @ Pauline Teh Abdullah ***Ordinary Resolution 4***
   iii) Mr Foo Lee Khean ***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 2011 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 2010 of RM3.9 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 Thirteenth ("13th") 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 13th 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 2011

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 Eleventh Annual General Meeting ("AGM") held on 27 May 2010, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

   Ordinary Resolution 7 proposed under item 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 (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

   The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding investment project(s), working capital and/or acquisitions.

   (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 2011 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 2011 for further information.

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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 Twelfth 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 Friday, 27 May 2011 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 2010 and Directors' and Auditors' Reports		
Ordinary Resolution 2	Approval on the increase and payment of Directors' Fees for the financial year ended 31 October 2010		
Ordinary Resolution 3	Re-election of Encik Mohd Riani Bin Osman as Director (Article 103)		
Ordinary Resolution 4	Re-election of Ms Pauline Teh @ Pauline Teh Abdullah as Director (Article 103)		
Ordinary Resolution 5	Re-election of Mr. Foo Lee Khean as Director (Article 103)		
Ordinary Resolution 6	Re-appointment of Messrs KPMG as Auditors		
Ordinary Resolution 7	Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue sharess		
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 2011

....
Signature/Common Seal of Shareholder

NOTES:

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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